

Charity number: 1126283  
Company Number: 06699696

HC1823

The National Museum of the Royal Navy

A company limited by guarantee

Trustees' performance report and  
consolidated financial statements

for the year ended 31 March 2018

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The National Museum of  
the Royal Navy  
(A company limited by  
guarantee)  
Trustees' Report and  
Consolidated Financial  
Statements 2017-18

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## Legal and administrative information

Charity number	1126283
Company registration number	06699696
Registered office	H M Naval Base PP66 Portsmouth Hampshire PO1 3NH
Director General and Accounting Officer	Professor Dominic Tweddle
Trustees	Admiral Sir Jonathon Band GCB DL Mr Michael J Bedingfield Mr John R Brookes OBE (Resigned 11 July 2018) Captain Dan Conley OBE Professor John Craven CBE (Resigned 30 October 2018) Sir Robert WK Crawford CBE (Resigned 17 April 2018) Rear Admiral Tom Cunningham (Resigned 19 April 2017) Professor John S Davidson (Appointed 11 July 2018) Mr Mike Gambazzi Ms Helen Jackson (Appointed 30 October 2018) Vice Admiral Sir Adrian Johns KCB CBE KStJ ADC Councillor Donna Jones (Appointed 19 April 2017) Mrs Kimberley A Marshall (Resigned 29 October 2018) Major General Jeffrey S Mason Mrs Mary Montague-Scott (Appointed 30 October 2018) Mr Tim Schadla-Hall Professor Sara Selwood (Appointed 11 July 2018) Mr Gavin Whitter Dr Caroline Williams Mr Charles Wilson
Auditors	Comptroller and Auditor General National Audit Office 157 - 197 Buckingham Palace Road Victoria, London SW1W 9SP
Accountants	Compass Accountants Limited Venture House, The Tanneries, East Street, Titchfield, Hampshire PO14 4AR
Bankers	Lloyds TSB Bank Plc 38 London Road, North End, Portsmouth, Hampshire PO2 0LR

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## Foreword

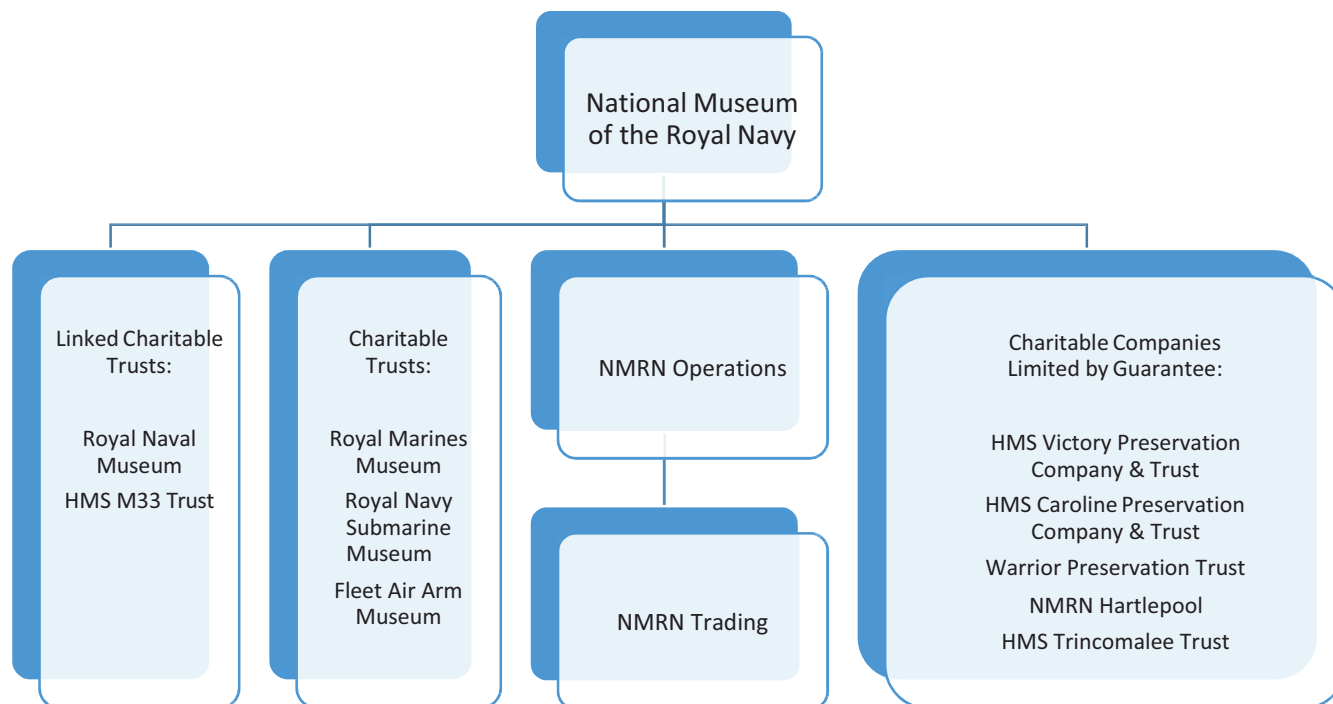
The charitable objectives of the National Museum of the Royal Navy, as defined within its Articles of Association are:

- The promotion and education and learning of Naval Service and Auxiliaries personnel and other members of the public about the history, deeds and traditions of those services
- The promotion and enhancement of military efficiency by assisting recruitment and retention and fostering the esprit de corps of the men and women who are serving in the Naval Service and Auxiliaries
- The commemoration and remembrance of those members of the Naval Service and Auxiliaries who have died while on active service and the encouragement of public recognition of the sacrifice made by such persons

In order to deliver its objects, the vision of the National Museum of the Royal Navy is to be the world's most respected naval museum. This will be achieved by:

- Collecting, studying and interpreting objects, images and records which help to document and communicate the continuing story of the Royal Navy and the people serving in it from the earliest times to the present day
- Offering stimulating and engaging learning opportunities for people of all ages enabling them to explore the rich collections and expertise held by the museum
- Providing visitors with the opportunity to enjoy a great day out, experiencing and absorbing the ethos and spirit of the Royal Navy
- Making the museum collections as widely accessible as possible through the development of the displays and special exhibitions as well as developing a world-class virtual presence.

## Organisation chart



### Inactive charitable companies awaiting strike off:

- Royal Marines Museum
- Royal Navy Submarine Museum
- Fleet Air Arm Museum CLG Limited
- NMRN Services
- Foudroyant Trust

### Inactive trading companies awaiting strike off:

- Warrior Trading Limited



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## Performance Report

### Overview

The National Museum of the Royal Navy [the National Museum] was established in 2008 and is the holding company of the National Museum of the Royal Navy Group. The Group includes the Royal Naval Museum, the Fleet Air Arm Museum, the Royal Navy Submarine Museum with HMS *Alliance*, Explosion! The Museum of Naval Firepower, the Royal Marines Museum, HMS *Victory*, HMS *Caroline*, HMS *M33* and NMRN Hartlepool (including HMS *Trincomalee*). Since December 2014, the National Museum has also operated Portsmouth Historic Dockyard. The Warrior Preservation Trust Limited, including HMS *Warrior*, joined the National Museum Group on 1 April 2017.

The National Museum's strategy sets out to increase the scale, scope, reach and resilience of the museum. Its vision is to become the world's most respected Naval Museum. The goal is to promote the public understanding of the Royal Navy past, present and future. The National Museum is one of the few headquartered outside London, acquiring key sites also outside the capital, and enabling people to learn, enjoy and engage with the naval story in the regions.

The National Museum's reach is further extended through its developing network of affiliates. Our affiliates include: Beaulieu Enterprises Ltd (Buckler's Hard Maritime Museum); the Britannia Museum; Coastal Forces Heritage Trust; Haslar Heritage Group; HMS Courageous Association; the Medusa Trust; Portsmouth City Council (the D-Day Story); Portsmouth Model Boat Display Team; the Unicorn Preservation Society; and the Wellington Trust.

The Ministry of Defence (MOD) concluded its review of its Services Museums in July 2016 and confirmed that the functions of the National Museum of the Royal Navy continued to support MOD objectives. It recommended that the National Museum should remain as a Non-Departmental Public Body sponsored by the MOD.

### Activities and Achievements

#### *Integration within the National Museum of the Royal Navy*

The National Museum's integration programme to create a modern, effective and efficient governance and operational structure across its diverse group of assets and undertakings has continued throughout 2017-18. The National Museum's day-to-day operation is overseen by the Executive Directors within the context of an overarching strategy framework, and underpinned by a suite of Group policies, procedures and operating models.

On 1 April 2017 the Warrior Preservation Trust Limited joined the National Museum group and on 1 July 2017 transferred its operational activity into NMRN Operations (Charity Number: 1169061) a wholly owned subsidiary of the National Museum. Operational activity of the other Museums had been consolidated into NMRN Operations from the 1 December 2016, simplifying the governance structure and allowed the benefits of operation of the museums through a large organisation to be realised, improving visitor experience, enhancing access to the collections and demonstrating greater cohesion in the delivery of the charitable objectives. The National Museum's heritage assets are retained within independent charitable trusts, with the National Museum of the Royal Navy as the sole corporate trustee and the Warrior Preservation Trust will be seeking to transfer the ship and its heritage assets into a yet to be formed Trust in the same model.

#### *HMS Caroline*

The refurbishment works to the Pump House block 1-3 to create a Dockside Museum, and the public realm work to the surrounding Alexandra Dock, have been successfully completed and were officially opened to the public with a Dockyard Festival on 18 and 19 of April 2018.

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### *HMS Victory*

The HMS Victory Preservation Company has resolved to approach the conservation of the ship in accordance with those principles set out in the National Historic Ships UK publication *Conserving Historic Vessels*. Efforts in the year have been concentrated in the areas of stabilisation and developing the conservation approach.

#### Stabilisation:

Installation of the new support system commenced in July 2017. This project is of primary importance in ensuring that the ship is held in Dry Dock No. 2 in as benign a manner as possible for both the ship and the dock. Given the unique nature of the project – this is the first time a support system of this type or complexity has been used on a historic ship – the project has adopted a cautious approach to installation of the new props and transfer between the new and old support systems. Prop installation progressed quickly and efficiently, but in September 2017, it was found that the load monitoring system, a fundamental part of the support system, was not functioning as intended. The process of installing new props to design load was halted, and a programme of work begun in order to establish why the load monitoring system was not performing as intended, and execute the changes necessary to ensure efficient operation going forward. At 31 March 2018 this work continued, and it is expected that installation of props to design load will resume in Q3 2018. The delay to the project, whilst unwelcome, has not had a significant impact upon the cost of delivering the new support system.

Alongside the work to install the new support system, further work has been undertaken to HMS *Victory* to ensure the ship is capable of bearing the loads imposed during the critical process of transferring the ship from the existing cradles to the new props, with work focussing on addressing the interface of the rudder with the ship's structure in order to prevent the possibility of damage.

Elsewhere, with regards to preventing water ingress, the successes of previous years have been protected by a programme of maintenance and repair, whilst the Trust has undertaken the second condition assessment of the ship's hull. This quinquennial survey has allowed an accurate assessment of rate of degradation within the ship's hull to be made, and provides evidence that the stabilisation work undertaken since 2012 has been successful in limiting the quantity of rainwater entering the ship, and controlled the spread of rot within the structure.

### *NMRN Hartlepool*

This strategically important site enables the National Museum to gain a foothold in the North East of England, whilst providing opportunities to contribute to the region's regeneration through the development and growth of a tourist attraction in partnership with the local authority. The benefits of a single site operator are being realised with increased levels of visitors and visitor satisfaction.

### *Visitor Services*

From 1 April 2017 to 31 March 2018, there were 1,334,540 visits (2016-17: 1,150,154) to the National Museum across all its sites, with figures published by ALVA (the Association of Leading Visitor Attractions) showing the National Museum as the 6th most visited attraction outside of London and Scotland. The National Museum's websites, including the Portsmouth Historic Dockyard site which is managed by the National Museum, received 477,622 visits. Press, PR and media coverage tripled, realising £12million in Advertising Value Equivalent.

### *Volunteers*

This year has seen an increase in opportunities and diversity for the volunteering community of the National Museum of the Royal Navy following the introduction of the DIVE (Discover. Inspire. Volunteer. Everywhere.) Platform, also known as Volunteer Makers, and the TUPE of the Warrior Preservation Trust Limited in July 2017.

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We have had the introduction of our first remote digital volunteers through 'challenges' focused on identifying digital images and interacting with the interactive Jutland Map, and our first volunteers in HR and Fundraising. With nearly 300 volunteers dedicating 37,226 hours in the last financial year, the volunteering community has provided support in a range of projects including; outreach talks, learning and engagement workshops, front of house guiding and demonstrations, cataloguing, shelf auditing archives, moving collections, researching, responding to enquiries, conservation of historic ships, deep cleans and assisting at community events.

Most notably, our volunteers have also taken part in a Tours and Talks season; presenting and attending talks and tours led by volunteers for other volunteers and staff to help utilise the volunteers' skills, knowledge and interests. They have also widened their skills by attending training sessions such as World Host, to deliver excellent customer care, and also in Dementia Awareness. There was also a successful trip to HMS *Belfast* (November 2017) attended by 40 volunteers.

### *Learning and Access*

In the period, NMRN Operations supported visits by 120,860 pupils from the UK and a further 79,894 students from abroad through formal learning visits, through 1,052 school workshops. In addition, we delivered outreach activities to 7,036 participants and delivered informal learning activities to 26,390 participants.

### *Exhibitions*

#### *'Making of a Royal Marines Commando'*

The long-standing exhibition 'Making of a Royal Marines Commando' which describes through film, interactive displays and artefacts the process of recruiting and training Marines was refurbished and relocated from the Royal Marines Museum into Portsmouth Historic Dockyard. The exhibition was rebuilt on the ground floor of Action Stations and opened in July 2017, establishing the story inside Boathouse 6 for the first time and acting as a strong visual signpost for the New Royal Marines Museum. This will remain a permanent exhibit until the development of the new Museum through the 'SeaMore' project.

#### *HMS Queen Elizabeth*

To coincide with the arrival of HMS *Queen Elizabeth* in Portsmouth an exhibition drawing on six large models of aircraft carriers from 1918 to the present day was opened in Storehouse 9, opening on 16 August 2017, the day before the ship's arrival. It remained open to the end of October. This was accompanied by a small display in the Visitor Centre on the archaeology associated with the dredging operations which prepared the harbour for the carrier, which included two recovered artefacts: a large piece of a German 250kg bomb and a rare Type 134 Asdic (sonar) dome.

#### *'Shipyards': exhibition of contemporary works by Lachlan Goudie.*

This exhibition opened in the special exhibition gallery at the National Museum, Portsmouth on 17 March 2018. It features more than 40 works by the artist Lachlan Goudie who worked with privileged access in shipyards at Rosyth and Govan between 2013 and 2017. The works in pastel, watercolour, pen and ink and clay offer a unique perspective from the inside of these ships. The exhibition closed 10 June 2018.

#### *X24*

The midget submarine X24 within the John Fieldhouse Building was re-interpreted in 2017 with funds generously provided by the Friends of the Royal Navy Submarine Museum. Projection on to the boat's hull and an associated display have brought the story of the submarine to life and dramatically enhanced the museum's entrance area. A completion of the project by June 2018 will introduce both Tomahawk Land Attack Missile (TLAM) and Polaris Submarine Launched Ballistic Missile (SLBM) into the displays, alongside the new 'Secret and Silent' exhibition which focuses on nuclear deterrence.

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### *Improvements at the Fleet Air Arm Museum*

Significant improvements and new interpretation were added at the Fleet Air Arm Museum for the summer of 2017 to coincide with the opening of the new Queen Elizabeth themed playground. These included creation of a lively and exciting orientation space, introducing visitors to the Museum and to the concept of the 'Fleet Air Arm', using film and strong visual imagery and a small number of key objects – the aim being to create a welcome with a short dwell time. In addition, the permanent display 'From Cold War to Kabul and Beyond' was constructed around three key aircraft, considering the various roles the Fleet Air Arm has performed around the world since 1989. At the heart of the display is one of the Museum's most recent acquisitions, the BAE Harrier GR.9A ZD433 nicknamed 'Dirty Harry' as the Museum acquired it fresh from operations in Afghanistan with mission markings on the nose and sand on the cockpit floor. The Museum has also been able to display the newly-acquired medals and log books of Eric 'Winkle' Brown, the legendary Royal Navy test pilot, in late 2016. It involved the relocation of Brown's Vampire aircraft from the Flight Deck of the Carrier Experience to Hall 2, and the creation of some additional interpretative material highlighting his career as a Test Pilot.

### *Collections*

The National Museum has continued to build its collections for the future, with significant acquisitions including:

- Commemorative naval glass rummer made for Lieutenant Commander Brown to toast success to the sloop HMS Lynx (1794).
- Baby elephant tusk scrimshaw carved by Jim Freeman, c.1823. Jim was an African who became part of the crew of HMS Sybille and the Owen Glendower which both took part in anti-slavery duties off West Africa in the 1820s.
- 18 carat gold pocket watch, with diamond inset, belonged to Robert Cleugh, made by Hare London 1828. Cleugh served in the Royal Navy in the early 1800s including as a Lieutenant on HMS Victory between 1827 and 1828. This watch was presented to him in 1828 when he retired. (Acquired in May 2017)
- Wooden part of an 'Infernal Machine' (a primitive mine) which exploded on the Canton River, 3rd May 1857, within 20 yards of HMS Acorn with note of provenance from Arthur Hood, the captain of HMS Acorn.
- 9ct white gold Royal Marines Light Infantry badge brooch with diamonds, presented in a leather box lined with velvet and silk. The brooch was commissioned by Sir Humphrey Tollemache for his wife, Lady Nora Priscilla Tollemache for her 21st birthday. Upon the death of Lady Nora Tollemache, the brooch was bequeathed to the RMLI Cadet Marching Band at Gosport, Hampshire.
- Banner from Royal Marine Freemason Lodge 3609, dated 1912, with Royal Marine emblems
- Photograph Album of Arthur Bowden Collins, RNAS Felixstowe 1916-1919. Includes rare interior of aircraft photographs.
- Collection of items relating to E.D. Bachelor Russell, RNAS. Includes flying log book, lenses from the flying helmet (damaged during crash), and a note book used to pass messages between the Pilot and passenger.
- Papers from the service of Wren Pamela Headington, relating particularly to training as Leading Torpedoman at HMS Vernon.
- Flag dropped by F/Sgt A Kane (Royal Australian Air Force) during supply drop for Macassar POW camp in September 1945 signed by POWs from HMS Exeter and HMSEncounter.
- Photo album of Captain Mike Fell in command of HMS Ark Royal (R09) 1965-1966 including Beira patrol 1966 as part of oil embargo of Rhodesia, and visit of HM Queen Elizabeth the Queen Mother.

Of separate note are the collections and archives relating to HMS *Warrior 1860* which were transferred with the ship in July 2017. These have been listed and catalogued in detail by a new staff member in the HLF-funded 'Secrets of Shipwrights and Sailors' project.

The Museum has also begun a process of review and rationalisation of collections. The first material reviewed was from the Explosion Museum, and in January 2018 Trustees recommended disposal of a list of accessioned items. These are now continuing through the formal disposal process.

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### *Scholarships*

The National Museum has published a further volume in its 'History of the Royal Navy' series in association with IB Tauris: "Women and the Royal Navy" by Jo Stanley. It has revised and updated the following publications in its popular series of souvenir guides: Portsmouth Historic Dockyard, HMS Victory, HMS Alliance and Fleet Air Arm Museum.

### *Trading*

Two subsidiary trading companies operated within the reporting period: National Museum of the Royal Navy Trading, and Warrior Trading Company Ltd. On 1 July 2017, Warrior Trading Company Ltd transferred its trade, assets and liabilities into the National Museum of the Royal Navy Trading. The National Museum of the Royal Navy Trading now operates across all of the National Museum's sites as a single, merged trading entity, reporting to a single board of Directors. In 2017-18, the company turned over £3,208,691 (2016-17: £3,171,097) generating a profit of £440,922 (2016-17: £488,139). At the discretion of its directors, the National Museum of the Royal Navy Trading will distribute through gift aid £357,570 from its reserves to the National Museum. The trading company oversees income streams such as cafés, retail, guidebooks, weddings, corporate and private hires, wholesale and brand licensing. New product ranges have been developed and all packaging redesigned to create a strong brand identity.

### Post balance sheet events

Post balance sheet events are disclosed in note 28 to the accounts.

### Plans for Future Periods

Our major capital project 'SeaMore: sharing the newest national collection' was unfortunately unsuccessful at Round Two of its Heritage Lottery Funding bid. Alternative funding options for this ambitious project to transform access to our collection and to create a New Royal Marines Museum within Portsmouth Historic Dockyard will be developed over the coming period.

The National Museum has developed a funding application with our affiliate the Maritime Archaeology Sea Trust (MAST) for a project based on the 1758 wreck of HMS *Invincible*, called 'Diving Deep: the HMS Invincible 1744 Project'. The successful application will provide £567,122 (£425,900 from HLF) to deliver a programme of activity supporting 3 dive seasons, leading to exhibition and publication, across 2017-2021.

The National Museum has developed a funding application with Portsmouth City Council based on the only Landing Craft Tank to survive from D-Day, called 'LCT 7074: Resurrecting a D-Day Hero'. The project will see the conserved vessel interpreted outside the D-Day Museum in Southsea, opening in June 2019. If the application is successful, this will provide £5,962,665 (£4,770,132 from HLF) across 2017-2019.

Over the next eighteen months, the National Museum will continue to install a new support system for HMS *Victory*, completing the stabilisation phase of work and allow large-scale conservation work to begin. Implementation of the conservation programme plan is expected to take twelve years and cost £35million. Work to the Ship will be split into four phases, the first of which (conservation of the starboard side) will begin once installation of the new support system has been completed.

We continue to work with Hartlepool Borough Council and NMRN Hartlepool to bring capital development and the Coastal Forces Craft RML 497 to the town.

An options study for the future location and presentation of the Fleet Air Arm Museum has begun to determine a long-term future of the museum.

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## Financial Review

### *Statement of Financial Activities for the Year Ended 31 March 2018*

Total incoming resources for the National Museum in 2017-18 amounted to £24,447,234 (2016-17: £19,873,323). In addition to Grant in Aid and admissions income (including gift aid), a large proportion of this inflow is exceptional and relates to grant income and donations for major capital projects including: HMS *Victory* and HMS *Warrior 1860* conservation and HMS *Caroline*. Other income relates to increased turnover from the National Museum of the Royal Navy Trading (NMRN Trading).

Total resources expended for 2017-18 amounted to £24,161,325 (2016-17: £22,274,464). The increase in outflow relates to largely to expenditure on project activity on HMS *Victory*, HMS *Warrior 1860*, and HMS *Caroline* for which project funding was received. It also relates to increased exhibition expenses flowing from the significant exhibition activity during the year. Staff costs have also increased following the transfer of staff relating to HMS *Warrior 1860*.

The net income in unrestricted funds for the period of £260,481 (2016-17: net expenditure of (£477,430)) arose from an increase in unrestricted donations, admissions and trading income following the acquisition of the Warrior Preservation Trust on 1 April 2017.

After adjustment for net losses on investments totalling £538,442 and gains on revaluation of fixed assets of £18,331,544, the net movement in funds for the year was an increase of £18,079,011.

### *Balance Sheet*

The net assets as at 31 March 2018 amounted to £179,427,613 (31 March 2017: £152,425,857).

Movements in fixed assets are shown in notes 14-15 to the accounts. Fixed assets acquired by either purchase or donation, with a value of £2,500 and over are capitalised in accordance with the accounting policies set out in note 1.8. Heritage assets added to the collection are included in the accounts at acquisition cost or on the basis of internal valuations estimated by the curatorial staff and determined by their experience and judgement as set out in note 1.9.

The value of heritage assets within the Group increased by £25,040,000 as a result of the transfer on acquisition of HMS *Warrior* and the ship's revaluation in accordance with the National Museum's accounting policy. Group debtors falling within one year increased by £1,723,929 arising from accrued income relating to the HMS *Caroline* project and operation, accrued gift aid, funding held on trust for the British Mercantile Marine Memorial Collection and other smaller debtors.

### *Reserves*

The Trustees regularly monitor the levels of the charitable company's reserves and seek to take correction action as necessary. As at 31 March 2018, the charitable company's unrestricted funds (excluding the revaluation reserve) stood at a deficit of (£242,153) (31 March 2017: (£250,678)). This balance includes a long term liability of £260,000.

The Group policy is that each charitable company builds a 'free reserve', defined as the amounts shown as Net Current Assets (before long term liabilities) in the accounts of the company and which are attributable to Unrestricted Funds. The Group policy is that each company should build free reserves sufficient to: cover essential operating costs for a three-month period should the company be unable to operate, covering liabilities and deficits; provide income; and to provide working capital.

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As at 31 March 2018, the level of the company's free reserves stood at £16,562 (31 March 2017: £138,273). Under the Group's new governance structure, the company receives no funding other than Grant in Aid from the MOD. This funding is used to defray the company's own expenses before granting the balance onto its operating subsidiary, NMRN Operations, on the basis of need. Under the current terms of the financial framework, the company is only permitted to carry over a maximum 2% of the total Grant in Aid into the next financial year and this carry forward may be taken into account in reducing the following year's Grant in Aid. If not carried forward, the balance of Grant in Aid unspent must be repaid to the MOD. Based on the year's Grant in Aid of £3,270,566 the maximum carry forward is £65,411. As such, this free reserves balance does not represent a going concern risk to the company.

The Group's free reserves (including designated funds) stood at £2,122,910 (31 March 2017: £960,712). As nearly all of the Group's operating costs now flow through NMRN Operations, the Group policy is that free reserves will now be accumulated within this subsidiary company. There is no need to accumulate additional free reserves in the subsidiary trusts and these reserves will be appropriately used, as approved by the Board, for the furtherance of the trusts' charitable objects. The Trustees are satisfied from the reports received by the Board and its committees that a budget has been set to build the reserves and that despite a challenging start to the financial year 2018/19 in terms of income generation, both expenditure and the cash flow position are carefully monitored and managed to minimise risks. As such, the free reserves balance does not represent a going concern risk to the Group.

The surplus on restricted funds will reduce in future years as increasing expenditure on the preservation of HMS *Victory*, HMS *Caroline*, HMS *Warrior 1860*, LCT 7074, RML 497 and SeaMore and depreciation on capital expenditure is expensed through the SOFA. The endowment funds surplus should remain on the Balance Sheet for the foreseeable future, as will the gifts of the Ships as the Ships are held as heritage assets and not depreciated.

#### *Investment Policy*

The National Museum's investment policy seeks to produce the best possible financial return within an acceptable level of risk. The investment objective is to generate a total return of inflation plus 3% per annum over the long term. Returns from these funds are required to maintain HMS *Victory* in perpetuity and it is therefore essential to invest with a long term prospective. If achieved, the charitable company should be able to maintain the value of its investment portfolio whilst funding annual expenditure for the maintenance and repair in the region of 3% of its capital per annum.

The National Museum adopts a total return approach to investment, generating the investment return from income and capital gains and losses. It is expected that if in any one year the total return is insufficient to fund the ongoing expenditure, in the long term the value of the portfolio will still be maintained in accordance with the investment objective stated above.

The key risk to the long-term achievement of the investment objective is inflation and the assets are invested accordingly. The Trustees understand that this will mean that investments are likely to be predominantly invested in equities where dividends can be expected to grow and that capital value will fluctuate. The company's attitude to risk is therefore described as progressive.

The assets can be invested widely and are expected to be diversified by asset class, by manager and by security. Asset classes can include cash, bonds, equities, property funds, hedge funds, structured products, private equity, commodities and any other asset class that is deemed suitable for the company. The Trustees do not wish to invest in property directly. The HMS *Victory* Investment Committee is charged with agreeing a suitable asset allocation framework with two appointed professional fund managers.

For the year ending 31 March 2018, income from investments totalled £678,421, with management fees of £230,395 and unrealised losses of £538,442. This represents a return for the year of -0.3%.

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### *Auditors*

The Comptroller and Auditor General is the statutory auditor under the Government Resources and Accounts Act 2000 for the National Museum of the Royal Navy and for the group consolidation.

So far as we, as the Trustees of the National Museum of the Royal Navy, and I, as its Accounting Officer are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the Trustees have taken all the steps necessary to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

Mr Michael Bedingfield  
Chairman on Behalf of the Board of Trustees

30 October 2018

Professor Dominic Tweddle  
Director General and Accounting Officer

30 October 2018



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## Accountability Report

### Trustees' Report and Governance Statement

This report sets out the arrangements for the governance of the National Museum of the Royal Navy, including the Board and committee structure for the Trustees. The Trustees, who are also the Members and Directors of the National Museum of the Royal Navy for the purposes of company law and who served during the year and up to the date of this report are set out on page 3. Overall control of the National Museum is the responsibility of the Board of Trustees.

The Trustees have had due regard to the guidance issued by the Charity Commission on Public Benefit. A core principle of the National Museum's strategy is to initiate, develop and extend regional partnerships and affiliations thereby allowing the story of the Royal Navy to be told across the UK. Through its charitable objects, the National Museum seeks to promote the education of the general public about the history, deeds and traditions of the Royal Navy and encourages the public to commemorate and recognise the sacrifice of those members of the Naval Service who have died on active service. The National Museum operates fee paying attractions and endeavours to ensure that ticket prices are set at a reasonable level, including several types of concessions. The National Museum offers educational workshops to schoolchildren in support of the National Curriculum, operates community outreach programmes in the local areas for children, their parents and carers, and hosts foreign language school pupils. The National Museum has an extensive volunteer programme and its activities are supported by a team of around 300 volunteers.

This report demonstrates how the system of governance and internal control is maintained within the National Museum and how the major risks to which the company is exposed, as identified by the Trustees, have been reviewed and systems have been established to mitigate those risks.

#### *The Governance Framework*

The National Museum of the Royal Navy is a company limited by guarantee (company number: 06699696) and a charity registered with the Charity Commission (registration number: 1126283). It is governed by its Articles of Association dated October 2016, which incorporates its charitable objects, the powers of the company and provides for the appointment and reappointment of Directors. Trustees are appointed in accordance with the guidelines issued by the Officer of the Commissioner for Public Appointments (OCPA).

The National Museum of the Royal Navy is also a Non-Departmental Public body, sponsored by the Ministry of Defence, and as such is obliged to comply with HM Treasury financial reporting requirements. There is a Financial Framework in place, which defines the arrangements between the National Museum and its sponsor, which is currently being updated in light of the department's triennial review.

The Trustees ensure the distinct legal responsibilities and charitable objectives of the charitable company are fulfilled within an overall policy and strategy framework. The day-to-day operation of the charitable company within that framework is delegated to the Director General and Accounting Officer and to the Executive Directors.

A formal induction process for Trustees is in place which combines all the necessary background reading material including items such as the Articles of Association, copies of minutes of recent meetings, a copy of the Charity Commission publication, "The Essential Trustee: what you need to know", a copy of the National Museum's strategy, the company's corporate plan and a copy of the Museum Association publication, "Code of Ethics for Trustees" with a day visit to the National Museum to meet key members of staff and to discuss current issues. Recent appointees continue to confirm their satisfaction with this process.

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The Board of Trustees meets periodically through the year to set the long-term strategic objectives of the company, agree the Corporate Priorities and review performance against previous objectives set. The Board undertakes a periodic review of its membership and skills set and new appointments made on the basis of what skills Trustees believe the Board is lacking or believe are needed to tackle specific issues.

The NMRN Operations Board is charged with responsibility for operational delivery of the Corporate Priorities to meet the National Museum's strategic objectives. The Chair of the NMRN Operations Board reports back to the main Board of Trustees on progress.

In addition to the Board of Trustees, there are several sub-committees covering the key areas of operations. The majority of Board decisions are only taken after the appropriate sub-committee has met and discussed the issue and made their recommendations.

Each Board of Trustees of the respective subsidiary companies remains responsible for their governance issues, which are clearly set out between the National Museum and its constituent members.

The trustees of the National Museum have agreed to adopt the Charity Governance Code and undertook a detailed gap assessment to identify areas for development. Overall, the Board felt that their compliance with the code was good, particularly in understand the organisation's purpose and in providing leadership. The Board has identified a number of areas for development to focus on for the year primarily involving adopting a code of conduct for trustees and ensuring that the Board carries out proper internal and external reviews of its performance. The Board is committed to being externally reviewed at least every three years.

The Board has taken steps to improve its governance through the simplification of its group structure to improve transparency and effectiveness of delivery. Board decisions are informed by appropriately detailed management reports, which have passed through the relevant committees or subsidiary boards which in turn have the specific membership and skill sets to enable close scrutiny and challenge before reaching the Board. The flow of information, its quality and accuracy and the process of review is considered sufficient for the Board to ensure that it fulfils its responsibilities effectively.

The sub-committees of the board include:

#### *Audit and Governance Committee*

This Committee takes delegated responsibility on behalf of the Board of Trustees for overseeing all auditing, risk management and governance aspects of the company, reporting back to the Board when necessary.

#### *Nomination and Remuneration Committee*

This committee is responsible for leading the process for Board appointments and for identifying and nominating for Board approval, candidates for appointment to the Board and its constituent Committees; and determining and making recommendations to the Board on the performance and remuneration of the National Museum's Director General and Executive team including the award of personal performance related bonuses.

#### *Collections, Research, Learning and Access Committee*

This committee meets periodically through the year and its responsibility is:

- To articulate the Acquisitions, Disposals and Loans Policy for the National Museum, establishing such procedures as required; and,
- to establish a Collections Strategy and Collecting Priorities for the National Museum; and,

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- to set up a Collections Management Policy and determine the appropriate level of resources in, accommodation, staffing, systems and documentation; and,
- to develop a Conservation Policy and Priorities, as they apply to procurement and resource allocation; and,
- to determine an Access Policy, which inter alia addresses; an enquiry policy, Readers services and charging policy, on line access (including charges), digitisation of collections items and collections information; and,
- to establish a Research Policy and Research Priorities.

#### *Fundraising and Marketing Committee*

This committee meets periodically through the year and its responsibility is:

- To lead on all aspects of fundraising for the National Museum,
- to construct a strategy that docks with the agreed Strategic Objectives and Plan of the National Museum in terms of its scale, scope and reach; and,
- to ensure that it is completely coherent and transparent across the entirety of the National Museum; and,
- to make, inter alia, recommendations to the Board on the co-ordinated approach to donors, public, private and corporate. To make recommendations on sponsorship and the nature, degree and frequency of events.

From July 2017, this committee was only responsible for the fundraising aspects of the group with the trustees deciding that the responsibility for marketing is better situated within its operating company, NMRN Operations. The committee has successfully begun its role in terms of overseeing the strategic direction of fundraising and the monitoring of income and activity. The committee has met four times and held a strategy workshop. Part of its remit has been to develop a long term Fundraising Strategy with consultants Jane Kaufman Associates. In addition the committee discussed strategic priorities, for example developing legacy marketing. The committee has also monitored the adoption of the BDO Internal Audit recommendations which included reconciliation of fundraising records with the National Museum's finance system.

The new Fundraising Regulator requires Trustees to receive a report annually on the operation of the fundraising function, especially in relation to complaints received through the Regulator regarding the Museum. No complaints have been made. The Trustees in turn are required to monitor the approach undertaken to fundraising, which is set out in reports to the Committee and Board.

The Fundraising Committee works with the Head of Fundraising, based centrally, who oversees the fundraising operation across each of the main assets and sites.

Income during the year has been derived from various sources including:

- Larger Strategic Grants
- Individuals
- Trusts & Foundations
- Corporates
- Legacies
- Events
- Crowdfunding
- Membership scheme

SeaMore was the main strategic priority for fundraising in 2017/18 and remains so in the forthcoming Financial Year.

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April 2017 saw the formal launch of the new Membership scheme, with 2,260 Members joining by the end of the year. The scheme has fully incorporated the Warrior Association with 360 joining, and linked-up with the Friends of the Royal Marines with 180 joining. A programme of Member events and activities run throughout the year and a monthly newsletter with offers and discounts is sent out.

During the year the Fundraising Department also worked with the various Friends groups, including the American Friends of the National Museum of the Royal Navy. All the Friends groups actively support the Museum, for example the Friends of the Royal Marines Museum contributed via our Make History campaign for SeaMore.

Day to day operation of the National Museum is the responsibility of the Director General who is appointed by the Trustees and who is also the Accounting Officer of the organisation. The Director General attends the meetings of the main Board and subsidiaries and also attends the National Museum's committees.

Membership and attendance of key meetings	Board of Trustees	Audit and Governance Committee	Nomination and Remuneration Committee	Collections Research Learning and Access	Fundraising and Marketing Committee	Fundraising Committee
Total number of meetings in the period						
<u>Chairman:</u>						
Admiral Sir Jonathon Band GCB DL	4/4	-	-	-	-	-
<u>Trustees:</u>						
Mr M Bedingfield	4/4	-	-	-	1/1	2/2
Mr J R Brookes OBE	4/4	-	2/2	-	-	-
Captain Dan Conley	3/4	-	-	-	1/1	2/2
Professor John Craven CBE	4/4	-	-	3/4	-	-
Sir Robert W K Crawford CBE	3/4	-	-	-	-	-
Rear Admiral T Cunningham	1/1	-	-	-	-	-
Mr M Gambazzi	4/4	4/4	2/2	-	-	-
Vice Admiral Sir Adrian Johns KCB CBE KStJ ADC	2/4	-	2/2	-	-	-
Councillor Donna Jones	2/3	-	-	-	-	-
Mrs K A Marshall	4/4	2/4	2/2	-	-	-
Major General J Mason	1/4	-	-	-	-	-
Mr T Schadla-Hall	4/4	-	-	4/4	-	-
Mr G Whitter	3/4	4/4	-	-	-	-
Dr Caroline Williams	4/4	-	-	-	-	-
Mr Charles Wilson	3/4	-	-	-	1/1	2/2
<u>Non- Trustees:</u>						
Mr Adrian Babbidge	-	-	-	2/3	-	-
Dr M Copp	-	4/4	-	-	-	-
Vice Admiral Sir Anthony Dymock KBE CB FRSA	-	-	-	-	1/1	1/2
Ms Sarah Humphrey	-	4/4	-	-	-	-
Professor Andrew Lambert	-	-	-	2/4	-	-
Ms Caroline MacDonald	-	-	-	2/4	-	-
Ms Carol Marlow	-	-	-	-	1/1	-
Ms Tiva Montalbano	-	-	-	2/3	-	-
Mr Mark Pemberton	-	-	-	2/4	-	-
Mrs Sandi Rhys-Jones	-	-	-	-	1/1	1/2
Mr Ken Robinson CBE	-	-	-	-	0/1	-
Professor Sara Selwood	-	-	-	4/4	-	-
Dr Amara Thornton	-	-	-	1/3	-	-

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### *Register of Interests*

A register of Trustees', Committee Members' and Executives' interests is maintained, requiring declaration of any interest, pecuniary or otherwise, in any matter being considered by the Board or the Committee.

### *Disabled Employees*

The National Museum is committed to fair employment practices and welcomes applications from all prospective employees irrespective of sex, race, colour, disability or marital status and is committed to complying with equalities legislation and best practice. Employees are given opportunities to disclose disabilities in a safe environment to the HR team to allow reasonable adjustments to be made for attending interviews or as part of day to day employment. Regular meetings are held with line managers to monitor and ensure the adjustments are appropriate for both the employee and the National Museum. If staff become disabled appropriate measures will be implemented to ensure employment may continue or an alternative role undertake with the appropriate retraining.

### *Personal data related incidents*

There have been no incidents of data loss involving personal information during the period which required formal reporting to the Information Commissioner's Office.

### *System of internal control*

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the National Museum of the Royal Navy's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The review of the effectiveness of the system of internal controls is exercised through the Audit and Governance Committee. This Committee is chaired by a Trustee of the Main Board of Trustees and draws expertise from other Trustees and committee members, with the Director General and the Executive Director of Resources in attendance. The Committee also has access to the independent accountants, internal and external auditors engaged for all companies within the Group, providing review and oversight of the financial control systems and the creation of company and consolidated group accounts. The Committee reports directly to the Board of Trustees.

### *Internal Audit*

The National Museum has an independent internal audit function, provided through BDO UK LLP, which undertakes a rolling programme of risk based audit activity, agreed at the start of each financial year with the Accounting Officer and the Audit and Governance Committee. Internal audit provides assurance to management and the Audit and Governance Committee on the adequacy of internal control arrangements, including risk management and governance. The internal audit conforms to the Public Sector Internal Audit Standards.

In their report to the Audit and Governance Committee, the internal auditors were able to provide moderate assurance that in the year ended 31 March 2018 there was generally a sound system of internal control, designed to meet the organisation's objectives, and that controls were generally being applied consistently. There were a number of audit findings which led to the moderate assurance opinion in respect of reviews of Payroll, Health and Safety Governance, Governance, Cash Management, Marketing, Capital Projects (HMS Victory) and IT Security.

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This moderate assurance opinion was partially as a result of the organisation taking a more risk-based view on the use of its internal audit resource in providing assurance in areas where there were known areas of concern and also the organisation's request for early internal input into systems under development. The National Museum has undertaken large-scale organisational change throughout 2017-18, consolidating its group structure, systems and procedures. The organisation had made good progress in implementing recommendations made by the internal auditors over the course of this and last year.

#### *External Audit*

The external auditor for the National Museum of the Royal Navy is the Comptroller and Auditor General, with the audit conducted by Ernst & Young LLP on behalf of the National Audit Office. The external audit of the subsidiary companies is conducted by PKF Littlejohn LLP. The Audit and Governance Committee receives and reviews all external auditor reports.

#### *Risk Management*

For the year ended 31 March 2018, a comprehensive suite of uniformly presented Strategic, Operational and Project Risk Registers have been in place, which identify the risks relevant to the successful continuation of the company's current operations and its future development. Risk Management is incorporated into the company's corporate planning, with the risk of failure and severity of the failure being applied to key activities.

The day to day management of risk is exercised through the company's Executive Board, which regularly reviews the National Museum's principal activities and events, with associated risks. The Audit and Governance Committee and the Board of Trustees receive reports to each meeting on the principal risks and the steps being taken to manage them effectively, including risks relating to new project proposals.

The key risks faced by the company centre around future income streams with volatility of admissions numbers and commercial activity impacting on revenue. Strategies continue to be developed to strengthen brand loyalty, ensure appropriate pricing to balance visitor attraction with revenue generation and develop the commercial offering. The National Museum continues to review and consolidate its governance and operating structure to ensure it is fit for purpose with sound control of operating costs within a sustainable but flexible staffing model for future years. Funding and effective control of major capital projects will always present a risk to the National Museum. This is mitigated through the establishment of a robust project management framework, appropriate governance and oversight for all major projects, and cash flow forecasting that reflects operational and major project demands and fundraising requirements.

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*Assurance Statement by the Audit and Governance Committee*

The Audit and Governance Committee is reasonably confident that:

Based on the above, the Board and Accounting Officer of the National Museum of the Royal Navy believe that the organisation complies with the Corporate Governance in Central Government: Code of Good Practice 2011, to the extent that it is relevant to the company and as far as the Charities Act 2011 and Companies Act 2006 permit.

In our view, the information received was sufficient to enable us to review and confirm the effectiveness of the National Museum of the Royal Navy's system of internal control in accordance with Treasury guidance and recommendations. The system of internal control has been in place in the National Museum of the Royal Navy for the year ended 31 March 2018 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Gavin Whitter  
Chairman of the Audit and Governance Committee  
on Behalf of the Board of Trustees

30 October 2018

Professor Dominic Tweddle  
Director General and Accounting Officer

30 October 2018

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Statement of Board of Trustees' and Accounting Officer's responsibilities  
for the year ended 31 March 2018

The Board of Trustees and the Accounting Officer are responsible for preparing the Trustees' Annual Report (including the Strategic Report) and the financial statements in accordance with the requirements of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (Charities SORP FRS102) (effective 1 January 2015), the Companies Act 2006, the Charities Act 2011 and the Government Financial Reporting Manual.

Company law requires the Trustees to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- observe the method and principles of the Charities SORP;
- make judgements and estimates on a reasonable and prudent basis;
- state whether applicable UK Accounting Standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustees are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and which enable them to ensure that the financial statements comply with the Companies Act 2006 and the Statement of Recommended Practice on Accounting and Reporting by Charities (SORP). They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records, and for safeguarding the National Museum's assets, are set out in Managing Public Money published by HM Treasury. The Accounting Officer confirms that the annual report and accounts as a whole are fair, balanced and understandable and he takes personal responsibility for the annual report and accounts and the judgements required for determining that they are fair, balanced and understandable.

Mr Michael Bedingfield  
Chairman on Behalf of the Board of Trustees

30 October 2018

Professor Dominic Tweddle  
Director General and Accounting Officer

30 October 2018



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**Remuneration and Staff Report**  
for the year ended 31 March 2018

This report has been prepared in accordance with the Government Financial Reporting Manual, which requires the disclosure of certain information about directors’ remuneration, where “directors” is interpreted to mean those persons in senior positions having authority or responsibility for directing or controlling the major activities of the National Museum of the Royal Navy.

*Remuneration Policy*

The Nomination and Remuneration Committee meets annually to consider the pay award for the Director General and the Executive Directors. The Director General is entitled to a non-consolidated performance related payment set by the Committee annually and based on performance in the previous year against the Objectives and Key Priorities in the Corporate Plan and personal contribution towards the achievement of key areas of work. Non-consolidated payments are performance related and may also be awarded to other members of the Executive Team based on exceptional performance in the previous year.

*Total remuneration table (subject to audit)*

Employee	Salary £'000		Non-consolidated payments £'000		Pension benefits £'000		Total £'000	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
D Tweddle Director General	110-115	105-110	10-15	5-10	11	11	135-140	125-130
S Dennis Executive Director	85-90	80-85	0-5	0-5	9	9	95-100	95-100
J Rawlinson Executive Director	80-85	75-80	0-5	0-5	8	8	90-95	90-95
M Sheldon Executive Director	70-75	70-75	0-5	0-5	7	7	85-90	80-85

The Director General and the Executive Directors did not receive any non-cash benefits (benefits in kind). Pension benefits are provided through a defined contribution group pension scheme at the rate of 10% of salary (see note 1.16). None of the directors is a member of the PCSPS.

The Director General and the Executive Directors have permanent contracts of employment with 6 months’ notice.

*Median Pay Disclosure (subject to audit)*

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median (mid-point) remuneration of the organisation’s workforce based on the full time equivalent pay. The remuneration ratio is 7.28:1 (2017 7.35:1). This represents the pay of the highest paid director (including performance related bonus) as a multiple of the median pay award – the median pay is £15,366 (2017: £15,995). The variation of median pay on the previous year arises from the inclusion of new businesses from HMS Warrior which skewed the median with increased numbers of staff on lower salary bands.

In 2017-18, no employees (2016-17: Nil) received remuneration in excess of the highest paid executive director.

Staff costs for the year total £6,831,868 (2017: £6,158,573).

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During the year the National Museum employed 407 staff (2016-17: 315), of which 138 (2016-17: 118) were employed on full time contracts. These numbers include workers engaged under Casual Worker Agreements. 259 of these staff (2016-17: 189) are female and 139 (2016-17: 126) are male. The average full time equivalent number of staff for the year was 249 (2016-17: 189).

No Trustees received remuneration during the year (2016-17: Nil). Nine Trustees of the National Museum of the Royal Navy were reimbursed for travel expenses totalling £4,200 (2016-17: Eight trustees - £3,421) – the increase in travel expenses reflects the requirement for trustees to attend the National Museum’s new locations in Belfast and Hartlepool.

*Sickness absence*

The National Museum group employed an average of 404 members of staff or 250 full time equivalent staff during 2017-18 (2016-17: 331 or 207 FTE). Periods of sickness absence are recorded in full days. The average number of days of sickness absence was 2.3 per employee (2016-17: 2.8) excluding days lost due to long-term sickness absence.

*Exit packages table - reporting civil service and other compensation schemes (subject to audit)*

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	20	-	20
£10,000-£25,000	-	-	-
Total number of exit packages	20	-	20
Total resource cost/ £	187,797	-	187,797

Exit costs are accounted for in full in the year the employee was confirmed redundant. All compensation was paid as statutory (capped) redundancy plus pay in lieu of notice.

*Other staff costs*

Further details relating to the National Museum’s other staff costs can be found in note 11 to the financial statements.

Trade Union facility time report

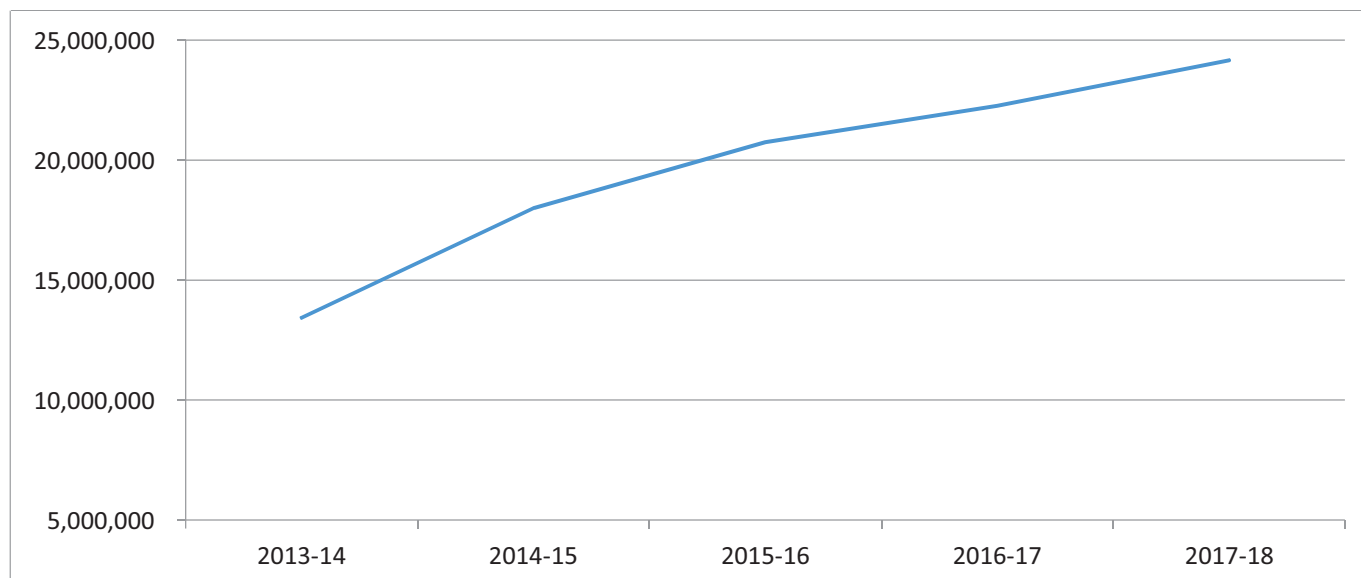
	2017-18	2016-17
Relevant union officials	Nil	Nil
Percentage of time spent on facility time	Nil	Nil
Percentage of pay bill spent on facility time	0%	0%
Paid trade union activities	Nil	Nil

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### Parliamentary accountability and audit report

All expenditure is regular and has been applied as intended by donors and the National Museum's sponsor body. There are no contingent liabilities, gifts, fees, charges or losses and special payments requiring further disclosure that have not been reported elsewhere in these financial statements. This paragraph is subject to audit.

Expenditure trends over the past five years are shown below.



The increase of expenditure over the past five years is a result of the growth and expansion of the National Museum as it has pursued its strategy to increase its scale, scope and reach. During the five year period, the National Museum has successfully delivered a number of significant projects and increased its visitor numbers to 1,334,540 in 2017-18. The Grant in Aid received from the sponsor body has remained consistent at £3.38m (including purchase of exhibits grant) in 2017-18 and the National Museum's growth has been funded through self-generated income, grants and donations.

Mr Michael Bedingfield  
Chairman on Behalf of the Board of Trustees

30 October 2018

Professor Dominic Tweddle  
Director General and Accounting Officer

30 October 2018

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## The Certificate and Report of the Comptroller and Auditor General to the Members of the National Museum of the Royal Navy

### Opinion on financial statements

I certify that I have audited the financial statements of the National Museum of the Royal Navy for the year ended 31 March 2018 under the Government Resources and Accounts Act 2000. The financial statements comprise the group and parent company Statement of Financial Activities, Balance Sheet and Cash Flow Statement and the related notes, including the significant accounting policies. The financial statements have been prepared under the accounting policies set out therein and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. I have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability and Audit Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2018 and of the group's incoming resources and application of resources, including income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice); and
- the financial statements have been prepared in accordance with the Companies Act 2006.

### Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the National Museum of the Royal Navy in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Board of Trustees' and Accounting Officer's Responsibilities Statement, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for:

- the preparation of the financial statements and for being satisfied that they give a true and fair view.
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- assessing the group and the parent company's ability to continue as a going concern, disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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#### Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the National Museum of the Royal Navy's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the National Museum of the Royal Navy's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

#### Other Information

Management is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Remuneration and Staff Report and Parliamentary Accountability and Audit Report described in those reports as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial

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statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

#### Opinion on other matters

In my opinion:

- the part of the Remuneration and Staff Report, and the Parliamentary Accountability and Audit Report disclosures to be audited have been properly prepared in accordance with the Government Financial Reporting Manual;
- in light of the knowledge and understanding of the group and the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Strategic Report or the Directors' Report; and
- the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept by the parent company or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration and Staff Report and the Parliamentary Accountability and Audit Report disclosures to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

#### Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse  
Comptroller and Auditor General  
  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

Date

The National Museum of the Royal Navy  
(A company limited by guarantee)  
Company number: 06699696

Consolidated Statement of financial activities (incorporating the income and expenditure account)  
for the year ended 31 March 2018

Notes	Unrestricted funds	Restricted funds	Royal Naval Museum		HMS M33 Trust		Endowment funds	2018 Total	Unrestricted funds	Restricted funds	Royal Naval Museum		HMS M33 Trust		Endowment funds	2017 Total
			£	£	£	£					£	£	£	£		
Income from:																
Donations and legacies																
2	3,270,566	-	-	-	-	-	3,270,566	3,260,666	-	-	-	-	-	-	-	3,260,666
2	121,828	-	-	-	-	-	121,828	122,000	-	-	-	-	-	-	-	122,000
2	1,136,299	9,447,395	3,000	-	-	-	10,586,694	497,723	6,462,514	-	1,164,351	-	-	-	-	8,124,588
3	2,458	-	-	-	-	446,695	449,153	41,318	-	-	-	-	-	-	-	41,318
Charitable activities																
4	5,900,893	-	-	-	-	-	5,900,893	1,980,859	-	-	2,384,770	-	-	-	-	4,365,629
	30,639	-	-	-	-	-	30,639	-	-	-	-	-	-	-	-	-
Other trading activities																
	32,734	-	-	-	-	-	32,734	1,300	6,926	-	-	-	-	-	-	8,226
5	3,254,964	-	-	-	-	-	3,254,964	1,063,397	-	2,114,065	-	-	-	-	-	3,177,462
6	502,735	-	-	-	-	175,686	678,421	483,268	-	3,047	174,526	-	-	-	-	660,841
	119,218	2,124	-	-	-	-	121,342	70,915	-	41,678	-	-	-	-	-	112,593
	14,372,334	9,449,519	3,000	-	-	622,381	24,447,234	7,521,446	6,469,440	5,707,911	174,526	-	-	-	-	19,873,323
Expenditure on:																
Raising funds																
7	919,596	-	-	-	-	-	919,596	563,980	-	338,870	-	-	-	-	-	902,850
	-	-	-	-	-	230,395	230,395	986	-	-	229,796	-	-	-	-	230,782
5	2,834,211	-	-	-	-	-	2,834,211	572,425	-	2,119,364	-	-	-	-	-	2,691,789
8	10,358,988	9,818,135	-	-	-	-	20,177,123	6,882,781	3,218,809	8,347,453	-	-	-	-	-	18,449,043
	14,112,795	9,818,135	-	-	-	230,395	24,161,325	8,020,172	3,218,809	10,805,687	229,796	-	-	-	-	22,274,464

The notes on pages 32 to 62 form an integral part of these financial statements.

The National Museum of the Royal Navy  
(A company limited by guarantee)  
Company number: 06699696

Consolidated Statement of financial activities (incorporating the income and expenditure account)  
for the year ended 31 March 2018

	Unrestricted funds		Restricted funds		Royal Naval Museum		HMS M33 Trust		Endowment funds		2018 Total		Unrestricted funds		Restricted funds		Royal Naval Museum		HMS M33 Trust		Endowment funds		2017 Total	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Net gains/(losses) on investments	942	(243)	(243)	(539,141)	-	-	-	-	(539,141)	-	-	(538,442)	21,386	(8,410)	-	-	-	-	-	-	-	3,905,879	3,918,855	
Net income/(expenditure)	260,481	(368,859)	(368,859)	(147,155)	-	-	-	-	(147,155)	-	-	(252,533)	(477,340)	3,242,221	-	-	-	-	-	-	-	3,850,609	1,517,714	
Transfer between funds	(788,218)	2,724,145	2,724,145	(2,072,834)	-	-	-	-	(2,072,834)	-	-	-	(571,035)	1,375,024	-	-	-	-	-	-	-	1,875,000	-	
Other recognised gains/(losses):																								
Gains on revaluations of fixed assets	(225,690)	18,557,234	18,557,234	-	-	-	-	-	-	-	18,331,544	168,585	4,359,996	-	-	-	-	-	-	-	-	-	4,633,050	
Net movement in funds	(753,427)	20,912,520	20,912,520	(2,219,989)	-	-	-	-	(2,219,989)	-	18,079,011	(879,790)	8,977,241	-	-	-	-	-	-	-	-	5,725,609	6,150,764	
Reconciliation of funds:																								
Total funds brought forward	18,369,566	97,527,852	97,527,852	33,479,994	152,425,857	19,249,356	88,550,611	8,945,681	1,775,060	27,754,385	146,275,093	19,249,356	88,550,611	8,945,681	1,775,060	27,754,385	146,275,093	19,249,356	88,550,611	8,945,681	1,775,060	27,754,385	146,275,093	
Reserves on acquisition	1,551,007	2,650,872	2,650,872	4,720,866	8,922,745	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total funds carried forward	19,167,146	121,091,244	121,091,244	35,980,871	179,427,613	18,369,566	97,527,852	1,273,385	1,775,060	33,479,994	152,425,857	18,369,566	97,527,852	1,273,385	1,775,060	33,479,994	152,425,857	18,369,566	97,527,852	1,273,385	1,775,060	33,479,994	152,425,857	



The National Museum of the Royal Navy  
(A company limited by guarantee)  
Company number: 06699696

Consolidated Balance Sheet  
as at 31 March 2018

	Notes	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
<b>Fixed assets</b>					
Tangible assets	14	28,615,927	27,981,764	1,901	2,952
Heritage assets	14	103,893,974	78,463,802	3,164,434	3,024,527
Investments	16	34,935,868	35,653,730	100	-
		<u>167,445,769</u>	<u>142,099,296</u>	<u>3,166,435</u>	<u>3,027,479</u>
<b>Current assets</b>					
Stocks	17	7,506,482	7,429,546	-	-
Debtors falling due within one year	18	3,620,730	1,896,801	3,025,631	2,978,246
Cash at bank and in hand	30	5,768,704	5,338,233	683,894	812,551
		<u>16,895,916</u>	<u>14,664,580</u>	<u>3,709,525</u>	<u>3,790,797</u>
Creditors falling due within one year	19	(4,985,932)	(4,273,373)	(2,015,558)	(1,578,684)
Net current assets/(liabilities)		<u>11,909,984</u>	<u>10,391,207</u>	<u>1,693,967</u>	<u>2,212,113</u>
Debtors falling due after one year	18	424,253	415,935	-	-
Total assets less current liabilities		<u>179,780,006</u>	<u>152,906,438</u>	<u>4,860,402</u>	<u>5,239,592</u>
Creditors falling due after more than one year	20	(352,393)	(480,581)	(260,000)	(390,000)
Net assets		<u>179,427,613</u>	<u>152,425,857</u>	<u>4,600,402</u>	<u>4,849,592</u>
<b>Funds</b>					
Unrestricted funds		18,475,945	18,309,756	(242,153)	(250,678)
Designated funds		365,062	-	-	-
Revaluation reserve		326,139	59,810	716	533
Total unrestricted funds		<u>19,167,146</u>	<u>18,369,566</u>	<u>(241,437)</u>	<u>(250,145)</u>
Restricted funds		76,170,821	71,164,552	1,653,487	2,051,181
Revaluation reserve		44,920,423	26,363,300	-	111
Royal Naval Museum		1,413,292	1,273,385	1,413,292	1,273,385
HMS M33 Trust		1,775,060	1,775,060	1,775,060	1,775,060
Total restricted funds		<u>124,279,596</u>	<u>100,576,297</u>	<u>4,841,839</u>	<u>5,099,737</u>
Endowment funds		35,980,871	33,479,994	-	-
Total endowment funds		<u>35,980,871</u>	<u>33,479,994</u>	<u>-</u>	<u>-</u>
Total funds	21	<u>179,427,613</u>	<u>152,425,857</u>	<u>4,600,402</u>	<u>4,849,592</u>

NMRN is exempt from an audit under Part 16 of the Companies Act 2006 under section 485 (non-profit-making companies subject to public sector audit) of the Companies Act 2006, but subject to audit under the Government Resources and Accounts Act 2000.

The financial statements were approved by the board on 30 October 2018 and signed on its behalf by

Mr Michael Bedingfield  
Chairman

Professor Dominic Tweddle  
Director General and Accounting Officer

The notes on pages 32 to 62 form an integral part of these financial statements.

The National Museum of the Royal Navy  
(A company limited by guarantee)  
Company number: 06699696

Consolidated Cash flow statement  
for the year ended 31 March 2018

	Notes	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Cash flows from operating activities:					
Net cash provided by (used in) operating activities		1,442,637	(202,197)	(128,557)	(573,638)
Cash flows from investing activities:					
Dividends, interest and rents from investments		670,047	652,685	-	3,400
Purchase of property, plant and equipment		(1,632,502)	(351,178)	-	(32,835)
Purchase of investments		(181,546)	(174,527)	(100)	-
Sale of investments		109,395	1,053,179	-	-
Net cash provided by (used in) investing activities		(1,034,606)	1,180,159	(100)	(29,435)
Change in cash and cash equivalents in the reporting period		408,031	977,962	(128,657)	(603,073)
Loan on acquisition		-	-	-	-
Cash and cash equivalents at 1 April 2017		5,360,673	4,382,711	812,551	1,415,624
Total cash and cash equivalents at 31 March 2018	30	5,768,704	5,360,673	683,894	812,551
Net income/expenditure for the year		(252,533)	1,517,714	(249,262)	179,132
Depreciation		1,385,717	1,367,269	1,123	280,690
Loss/(profit) on disposal of fixed assets		-	87,025	-	46,881
(Gains)/losses on investments		538,442	(3,918,855)	-	-
Adjustment for non-cash fees from gains/losses		229,132	227,092	-	-
Dividends and interest from investments		(670,047)	(652,685)	-	(3,400)
Donated heritage assets		(139,907)	(272,344)	(139,907)	(264,464)
On acquisition/disposal:					
Fixed assets		(7,346,100)	-	-	7,623,838
Reserves		8,922,745	-	-	-
Other (gains)/losses		-	2	-	(206,888)
(Increase)/decrease in stocks		(76,936)	(180,175)	-	511,858
(Increase)/decrease in debtors		(1,732,247)	3,475,728	(47,385)	4,255,825
Increase/(decrease) in creditors		712,559	(1,724,744)	436,874	(5,108,650)
Increase/(decrease) in long term liabilities		(128,188)	(128,224)	(130,000)	(130,000)
Reserves transferred to/from successor charities		-	-	-	(7,758,460)
Net cash provided by (used in) operating activities		1,442,637	(202,197)	(128,557)	(573,638)

The National Museum of the Royal Navy  
(A company limited by guarantee)  
Company number: 06699696

Notes to the financial statements  
for the year ended 31 March 2018

1. Accounting policies

The principal accounting policies are summarised below. The accounting policies have been applied consistently throughout the year and the preceding year.

1.1. Charity information

The National Museum of the Royal Navy is a private company limited by guarantee and incorporated in England and Wales. The registered office is the National Museum of the Royal Navy, HM Naval Base PP66, Portsmouth, Hampshire, PO1 3NH.

The National Museum of the Royal Navy (NMRN) meets the definition of a public benefit entity under section 34 of FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value, unless otherwise stated in the relevant accounting policy.

The principal objectives of the charity are detailed in the Trustees report.

1.2. Basis of preparation of the financial statements

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Companies Act 2006 and guidance issued by HM Treasury.

The financial statements have been prepared on a going concern basis, due to on-going grant in aid funding from the Ministry of Defence and the steps being taken to improve the reserve position (please see 'Reserves' on page 12).

The financial statements are presented in sterling which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £ unless otherwise stated.

The 'company' results include the results of the two linked charities of NMRN: Royal Naval Museum and HMS M33 Trust. The operational activity of the Royal Naval Museum transferred to NMRN Operations on 30 November 2016.

1.3. Basis of consolidation

Consolidated financial statements have been prepared which include the following charities over which NMRN has a controlling interest:

NMRN Operations (NMRNO) (company no. 09988314, charity no. 1169061) incorporating NMRN Trading  
Royal Navy Submarine Museum (RNSM) (company no. 07637385, charity no. 1142123) and Trust (charity no. 1169371)  
Royal Marines Museum (RMM) (company no. 07635447, charity no. 1142186) and Trust (charity no. 259422)  
Fleet Air Arm Museum (FAAM) (company no. 07570620, charity no. 1143023) and Trust (charity no. 250079)  
NMRN Hartlepool (NMRNH) (company no. 00123456, charity no. 1165917)  
HMS Trincomalee Trust (HMSTT) (company no. 02678419, charity no. 1007784)  
Warrior Preservation Trust Limited (WPT) (company no. 00936870, charity no. 256756) incorporating Warrior Trading Limited  
HMS Victory Preservation Company (HMSVPC) (company 07935358, charity 1146376) incorporating HMS Victory Preservation Trust  
HMS Caroline Preservation Company (HMSPCC) (company 08303946, charity 1149930) incorporating HMS Caroline Preservation Trust  
NMRN Services (NMRNS) (company no. 08843356, charity no. 1156012)  
Foudroyant Trust (company no. 00628111, charity no. 306082)

The Consolidated Statement of Financial Activities and the Consolidated Balance Sheet include the results and assets of each charity on a line by line basis. The company has taken advantage of the exemption from providing an individual company SOFA and instead discloses a separate consolidated SOFA of both NMRN's and the individual museums' activities. The individual results of the company can be found in the detailed statements of financial activities (Note 32).

1.4. Fund accounting

Unrestricted funds are donations and other incoming resources received or generated for general purposes.

Restricted funds are to be used for specified purposes as laid down by the donor. Expenditure which meets these criteria is identified to the fund, together with a fair allocation of overheads and support costs.

Endowment funds are funds which the donor has stated are to be held as capital and expendable over the long term. It is the intention that the capital value of the donation will be maintained in real terms. However, if it becomes necessary, no more than 5% of the capital will be spent at any one time.

Notes to the financial statements  
for the year ended 31 March 2018

1.5. Incoming resources

All incoming resources are included in the statement of financial activities when the company is legally entitled to the income and the amount can be quantified with reasonable accuracy and it is probable that the income will be received. The following specific policies are applied to particular categories of income:

Voluntary income is received by way of grants, donations and gifts and is included in full in the statement of financial activities when receivable. Grants where entitlement is not conditional on the delivery of a specific performance by the company, are recognised when the company becomes unconditionally entitled to the grant. Gifts in kind are included in the accounts at their current market value where this is readily identifiable. Where current market value is unavailable then gifts in kind are included in the accounts on the basis of internal valuations estimated by relevant staff and determined by their experience and judgement, unless this is not possible without incurring a cost disproportionate to the benefit of the information reported to the readers of the accounts.

Grant in Aid funding is received from the Ministry of Defence (MoD) as a contribution towards the operating costs of the National Museum of the Royal Navy (NMRN) and the four individual naval service museums. The majority of the Grant in Aid is received by NMRN and then distributed to NMRN Operations, with the remainder, which is specifically a contribution towards wage costs, paid direct to staff by the Defence Business Services (DBS) on behalf of the individual museums.

Income from investments is included in the year in which it is receivable.

Legacies are included when the company is advised by the personal representative of an estate that payment will be made or property transferred and the amount involved can be quantified.

1.6. Grants receivable

Revenue grants are credited to incoming resources on the earlier of the date of when they are received or when they are receivable, unless they relate to a specified future period, in which case they are deferred.

Grants for the purchase of fixed assets are credited to restricted incoming resources when receivable. Depreciation on the fixed assets purchased with such grants is charged against the restricted fund.

1.7. Resources expended

Expenditure is recognised on an accruals basis as a liability is incurred. Expenditure includes any VAT which cannot be fully recovered, and is reported as part of the expenditure to which it relates.

Costs of generating funds comprise costs incurred in encouraging people and organisations to contribute financially to the work of the company and the individual museums and to promote each organisation as a visitor attraction.

Charitable expenditure includes expenditure associated with Collections and Exhibitions, Curatorial Matters and Education and includes costs directly attributable to each activity. Costs not directly attributable to one activity, including the proportion of support costs relating to charitable expenditure, have been allocated on a reasonable basis of resources used, as determined by each museum.

Governance and support costs include those costs incurred in the governance of the company and its assets, and central functions, and have been allocated to cost categories on a basis consistent with the use of resources or the floor space occupied, as applicable.

1.8. Tangible fixed assets

Tangible fixed assets with a cost or value greater than £2,500 and a useful life exceeding one year are capitalised at historic cost and revalued annually using Ministry of Defence Modified Historic Cost Accounting (MHCA) indices.

Land and buildings are held by the Fleet Air Arm Museum, Royal Navy Submarine Museum Trust, Royal Marines Museum Charitable Trust, and NMRN Operations, and are stated at a valuation of depreciated replacement cost and depreciated over the lease term. These charities obtain a professional valuation at least every five years and indices are used to reflect the change in value in the intervening years with the following exception: the land and buildings owned by the Royal Marines Museum Charitable Trust were previously valued at depreciated replacement cost. The Museum closed on 1 April 2017 and the land and buildings will be sold as part of the Museum's move to Portsmouth Historic Dockyard. Accordingly, the land and buildings were revalued to market value on 18 May 2017.

Depreciation has been provided at rates calculated to spread the cost of each asset over its expected useful life as follows:

Improvements to property	over the lease term
Short leasehold property	over the lease term
Exhibitions	10 years
Fixtures and fittings	3 - 25 years
Computer and office equipment	3 - 10 years
Plant and machinery	3 - 30 years
Motor vehicles	5 years

The National Museum of the Royal Navy  
(A company limited by guarantee)  
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Notes to the financial statements  
for the year ended 31 March 2018

1.9. Heritage assets held by the group

The heritage assets are held in trusts and have been included in the consolidated financial statements as set out below.

Background

Each trust holds artefacts comprising its collection. The main and reserve collections (other than assets acquired since 1 April 2000 - see below) have not been included in the financial statements due to their historic and inalienable nature and, due to the specific and individual nature of the artefacts held, it is not believed to be possible to obtain a reliable value of the collection without incurring a cost disproportionate to the benefit of the information reported to the readers of the accounts.

Assets acquired prior to 1 April 2000 have not been capitalised and included in the accounts but with effect from 1 April 2000, additions to the collection with a cost in excess of £2,500, have been capitalised. These assets are carried at cost, or deemed cost, and not depreciated due to infinite useful economic lives. An annual review for impairment is carried out in accordance with the Charities SORP, with any impairment recognised in the Statement of Financial Activities. The exception to this is the Fleet Air Arm Museum where aircraft acquired prior to 1 April 2000 have also been capitalised. Note that this treatment is inconsistent with the accounts of the Fleet Air Arm Museum where the assets acquired prior to 1 April 2000 are excluded from the balance sheet.

Heritage assets donated to the trusts with a value in excess of £2,500 are included in the accounts on the basis of internal valuations estimated by the relevant curatorial staff and determined by their experience and judgement. Where this information is not available, and cannot be obtained at a cost commensurate with the benefits to users of the financial statements, the assets will not be recognised in the Balance Sheet and the disclosure required by the Government Financial Reporting Manual should be made.

Heritage assets: policies for maintenance, management, acquisition and disposal

In October 2015, a single set of Collections Management policies for the National Museum was approved by the Board. These policies were the basis of a new single application to the Arts Council for Museum Accreditation to the higher standards required of a national museum collection, replacing the individual accreditations of the subsidiary museums. These policies set out a common approach for the maintenance and management of collections within the trusts.

Acquisitions are guided by a Collections Development Policy; this sets out priorities and processes for acquisition. There are two principal methods of acquisition: Acquisition by gift - Curators have authority to propose collecting in line with the National Museum's Master Narrative and Collections Development Strategy. Proposed donations requiring further consideration, such as very large donations, donations of hazardous or sensitive information and donations that cross multiple fields of expertise are passed to the Acquisitions and Disposal Panel for approval. Acquisition by purchase - purchases of material from any source up to £50,000 may be authorised in accordance with a laid out scheme of delegation. Any purchases of a value above £50,000 are assessed by the Director General for approval.

Significant acquisitions are discussed at the Collections, Research, Learning and Access Committee. This Committee also receives quarterly reports on key acquisitions and an annual report of all items added to the collection.

Subject to the approval of the Trustees, the National Museum may dispose of items from the collection, although this will only happen in exceptional circumstances, for example when the item cannot be properly displayed or the disposal proceeds can be used to purchase a better example and this does not detract from the integrity of the collection.

Significant Historic Ships

Accounting policy for initial recognition of the Heritage Asset

The methodology of valuation of significant historic ships by the National Museum group is total rebuild basis, discounted for the ship's current state of repair.

The values are calculated by the staff of the National Museum. Where the current build cost or market value of a similar ship is known and can be relied upon, this is used as the basis for establishing the value of the ship. Where this information is unavailable, the original build cost of each ship is grossed up to a modern-day value using a provider of historic economic data. This value is then discounted to take account of the ship's current state of repair, using the estimated costs to bring the ship to the final condition (being in most cases something close to 'as new'). For ships which are gifted to the National Museum, the discounted value becomes the 'deemed cost' of the ship.

Accounting policy for recognition of subsequent expenditure on significant ships

The National Museum's operating company, NMRN Operations, is responsible for the restoration, preservation, and maintenance of the ship under the terms of the operator agreement. Expenditure incurred by the operating company is recognised in that entity on an accruals basis as a liability is incurred. Capital expenditure on plant and machinery not integral to the fabric of the ship is capitalised on the balance sheet of the operating company.

The National Museum of the Royal Navy  
 (A company limited by guarantee)  
 Company number: 06699696

Notes to the financial statements  
 for the year ended 31 March 2018

1.10. Operating Leases

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged against incoming resources on a straight line basis over the life of the lease.

1.11. Investments

Investments held as fixed assets are revalued at mid-market value at the balance sheet date and the gain or loss taken to the statement of financial activities.

The Company adopts a total return approach to investment, generating the investment return from income and capital gains or losses. It is expected that if in any one year the total return is insufficient to fund the on-going expenditure, in the long term the value of the portfolio will still be maintained in accordance with the investment objective above.

Attitude to Risk

The Company relies on the investment return to fund its objective. The key risk to the long term achievement of its objective is inflation, and the assets are invested accordingly. The Trustees understand that this will mean that investments are likely to be predominantly invested in equities, where dividends can be expected to grow, and that capital value will fluctuate. The Company's attitude to risk is therefore described as progressive.

1.12. Taxation

The tax expense represents the current tax expense. Current tax assets are recognised when tax paid exceeds the tax payable. Current tax is charged or credited to the SOFA.

Current tax assets and current tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profits for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

1.13. Stock

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell, after making due allowance for obsolescence and slow moving items.

1.14. Financial Instruments

The company's financial assets and liabilities consist of cash and cash equivalents, short term investments, trade & other debtors, trade & other creditors and accrued expenses. The fair value of these items approximates their carrying value due to their short term value. Unless otherwise noted, the company is not exposed to significant interest, foreign exchange or credit risks arising from these instruments.

1.15. Estimation techniques

Estimate	Assumption
Valuation of Historic Ships	The valuation of historic ships acquired by the group has been based on an estimate of current costs of rebuilding the vessels, as the actual costs of doing so are unknown.  This assumes that the same materials and methods of construction would be utilised with the same cost profile as the original, and, on the same basis, adjusted proportionately for those parts of the vessel that would not be replaced (for example, guns and engines).
Valuation of HMS Victory Preservation Company timber stock	The valuation of the timber stock has been carried out by a professional valuer based on the assumption that the open market value could be achieved in the event of a sale.  Although the stock of timber has been professionally valued, this can only be considered an estimate because, due to the nature and quantity of timber held, if it were ever to be sold on the open market, there would likely be a negative impact on the market price (please see note 17).

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1.16. Pensions

During the year contributions for the Director General only, totalling £11,110 (2016-17 £11,000), were paid into a defined contribution group pension scheme. In addition, a performance related bonus of £15,000 was awarded to the Director General which is to be taken as additional pension contribution by way of salary sacrifice. There were no outstanding or prepaid contributions at the balance sheet date. The pension cost charged to the Statement of Financial Activities represents the contributions paid.

The majority of staff of the National Museum of the Royal Navy and the subsidiaries are covered by the provisions of a defined contributions group pension plan, the assets of which are held in an independently administered fund and which provides benefits based on the value of the fund. A small number of staff, who have transferred into the National Museum of the Royal Navy under the Transfer of Undertakings (Protection of Employment) Regulations, have retained membership of their former employers' pensions schemes which provides benefits based on final pensionable pay, and include the Principal Civil Service Pension Scheme (PCSPS) and the Local Government Pension Scheme (LGPS).

Group Pension Plan

The National Museum operates a Group Pension Plan with employer's contributions being payable at either 6% or 10%. Under this plan a "salary exchange" scheme exists whereby employees may elect to give up the right to receive part of their salary remuneration in return for an additional employer's contribution into the Group Pension Plan of the same amount. The pension cost charged to the Statement of Financial Activities represents the contributions paid.

Principal Civil Service Pension Scheme (PCSPS)

The PCSPS is an unfunded multi-employer defined benefit schemes but the National Museum of the Royal Navy is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2017. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)).

For 2017-18, employer contributions were payable to the PCSPS at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2017-18 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Local Government Pension Scheme (LGPS)

The LGPS is a multi-employer defined benefit scheme. The National Museum of the Royal Navy is an admitted member of the Hampshire Pension Fund but is unable to identify its share of the underlying assets and liabilities. An actuarial valuation was carried out at 31 March 2016 with revised contributions being payable from 1 April 2017. Details can be found in the Hampshire Pension Fund annual report and accounts: (<http://www3.hants.gov.uk/pensions/lgps/pensions-reportsandaccounts.htm>). The next valuation date is 31 March 2019, with revised contributions being payable from 1 April 2020. The pension cost charged to the Statement of Financial Activities is represented by the contributions payable under the LGPS including a past service deficit contribution at 0% of pensionable pay.

Total contributions

The contributions made to each scheme during the year are set out below. There were no outstanding or prepaid contributions at the balance sheet date:

	2018			2017		
	Group Schemes	PCSPS	LGPS	Group Schemes	PCSPS	LGPS
National Museum of the Royal Navy	60,964	-	-	145,773	9,056	-
NMRN Operations	311,643	26,185	3,142	84,655	12,236	11,508
NMRN Services	-	-	-	56,585	15,751	6,241
NMRN Trading (reported within trading subsidiary expenditure)	10,335	-	-	44,505	-	12,118
	<u>382,942</u>	<u>26,185</u>	<u>3,142</u>	<u>331,518</u>	<u>37,043</u>	<u>29,867</u>

1.17. Termination benefits

The group recognises a liability for termination benefits at the point where the group is committed to making the payments in return for employee redundancy.

1.18. Restatement of comparative information

Marketing costs of £439,842 for the company, and £553,600 for the group, have been transferred from fundraising costs to costs of charitable activities.

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2. Voluntary income (Company and Group)

	Unrestricted funds	Restricted funds	Royal Naval Museum	2018 Total	Unrestricted funds	Restricted funds	Royal Naval Museum	2017 Total
	£	£	£	£	£	£	£	£
Grant (operating)	3,270,566	-	-	3,270,566	3,260,666	-	-	3,260,666
Grant (capital)	121,828	-	-	121,828	122,000	-	-	122,000
<b>Total Grant in Aid</b>	<b>3,392,394</b>	<b>-</b>	<b>-</b>	<b>3,392,394</b>	<b>3,382,666</b>	<b>-</b>	<b>-</b>	<b>3,382,666</b>
<b>Other donations and grants</b>								
<b>Heritage Lottery Fund</b>								
HMS Caroline	-	2,620,138	-	2,620,138	-	4,338,572	-	4,338,572
LCT 7074	-	40,245	-	40,245	-	-	-	-
HM Treasury - British Mercantile Marine Memorial Collection	-	1,233,000	-	1,233,000	-	-	-	-
Northern Ireland Tourist Board	-	1,931,455	-	1,931,455	-	1,425,415	-	1,425,415
HMS Victory Preservation Co	-	-	-	-	-	-	1,000,000	1,000,000
HMS Victory Preservation Endowment Fund	-	-	-	-	-	-	1,000,000	1,000,000
Adam & Company	-	-	-	-	-	-	100,000	100,000
Gosling Foundation	-	-	-	-	-	165,000	-	165,000
Other donations and grants	717	-	3,000	3,717	31,458	-	49,851	81,309
	<b>717</b>	<b>5,824,838</b>	<b>3,000</b>	<b>5,828,555</b>	<b>31,458</b>	<b>5,928,987</b>	<b>2,149,851</b>	<b>8,110,296</b>
<b>Gifts in kind:</b>								
Transferred from NMRN Operations	-	-	136,907	136,907	-	-	249,964	249,964
Other donated assets	-	-	-	-	-	-	14,500	14,500
	<b>-</b>	<b>-</b>	<b>136,907</b>	<b>136,907</b>	<b>-</b>	<b>-</b>	<b>264,464</b>	<b>264,464</b>
<b>Received by company</b>	<b>717</b>	<b>5,824,838</b>	<b>139,907</b>	<b>5,965,462</b>	<b>31,458</b>	<b>5,928,987</b>	<b>2,414,315</b>	<b>8,374,760</b>
<b>Received by:</b>								
NMRN Operations	1,083,517	3,622,539	-	4,706,056	400,637	518,789	-	919,426
Royal Navy Submarine Museum	-	18	-	18	3,798	9,835	-	13,633
Royal Marines Museum	-	-	-	-	6,786	-	-	6,786
Fleet Air Arm Museum	-	-	-	-	26,922	4,903	-	31,825
HMS Victory Preservation Co	42,581	-	-	42,581	17,447	-	-	17,447
HMS Caroline Preservation Co	-	-	-	-	200	-	-	200
HMS Trincomalee Trust	3,811	-	-	3,811	10,475	-	-	10,475
Warrior Preservation Trust Limited	5,673	-	-	5,673	-	-	-	-
<b>Consolidation adjustments:</b>								
HMS Victory Preservation Co (1)	-	-	-	-	-	-	(1,000,000)	(1,000,000)
NMRN Operations (2)	-	-	(136,907)	(136,907)	-	-	(249,964)	(249,964)
	<b>1,135,582</b>	<b>3,622,557</b>	<b>(136,907)</b>	<b>4,621,232</b>	<b>466,265</b>	<b>533,527</b>	<b>(1,249,964)</b>	<b>(250,172)</b>
<b>Received by group</b>	<b>1,136,299</b>	<b>9,447,395</b>	<b>3,000</b>	<b>10,586,694</b>	<b>497,723</b>	<b>6,462,514</b>	<b>1,164,351</b>	<b>8,124,588</b>

1) Income received by HMS Victory Preservation Company from the HMS Victory Preservation Endowment Fund and subsequently granted directly to the Royal Naval Museum;

2) Heritage assets transferred to the Royal Naval Museum from NMRN Operations, eliminated on consolidation



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3. Legacies (Company and Group)

	Unrestricted funds £	Endowment funds £	2018 Total £	Unrestricted funds £	2017 Total £
Received by company:					
Norman B Grey	-	-	-	10,357	10,357
Received by:					
NMRN Operations	2,458	-	2,458	27,961	27,961
Royal Marines Museum	-	-	-	3,000	3,000
Warrior Preservation Trust	-	446,695	446,695	-	-
	<u>2,458</u>	<u>446,695</u>	<u>449,153</u>	<u>41,318</u>	<u>41,318</u>

4. Admissions (Company and group)

	Unrestricted funds £	Royal Naval Museum £	2018 Total £	Unrestricted funds £	Royal Naval Museum £	2017 Total £
Museum admissions						
Portsmouth Historic Dockyard	3,958,209	-	3,958,209	738,483	1,501,658	2,240,141
Royal Marines Museum	112	-	112	42,186	-	42,186
Fleet Air Arm Museum	699,004	-	699,004	822,493	-	822,493
Hartlepool	229,486	-	229,486	58,982	-	58,982
HMS Caroline	103,489	-	103,489	372	114,839	115,211
	<u>4,990,300</u>	<u>-</u>	<u>4,990,300</u>	<u>1,662,516</u>	<u>1,616,497</u>	<u>3,279,013</u>
Other site income						
Portsmouth Historic Dockyard	910,593	-	910,593	318,343	768,273	1,086,616
	<u>5,900,893</u>	<u>-</u>	<u>5,900,893</u>	<u>1,980,859</u>	<u>2,384,770</u>	<u>4,365,629</u>

Portsmouth Historic Dockyard includes: the Royal Naval Museum; the Royal Navy Submarine Museum; HMS Victory; HMS Warrior; and Explosion!

Admissions income includes amounts reclaimed from HM Revenue and Customs under the Gift Aid Scheme.

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5. Income and expenses from trading activities of subsidiaries

NMRN has effective control of NMRN Operations (NMRNO), NMRN Hartlepool (NMRNH), the HMS Victory Preservation Company (HMSVPC), the HMS Caroline Preservation Company (HMSCPC), the HMS Trincomalee Trust (HMSTT), the Warrior Preservation Trust Limited (WPT), the Royal Navy Submarine Museum Trust (RNSM Trust), the Royal Marines Museum Charitable Trust (RMM Trust), and the Fleet Air Arm Museum (FAAM Trust). NMRN Operations and the Warrior Preservation Trust Limited each have non-charitable trading subsidiaries. Dormant subsidiaries awaiting striking off are not included below (these have £Nil balances).

The results of each charity for the year were as follows (rounded to the nearest £1,000):

Note: the results for FAAM Trust include a consolidation adjustment of £2,222,000 to increase reserves b/f and heritage assets.

5.1 Statement of Financial Activities  
(Subsidiaries)

	NMRNO £'000	NMRNH £'000	HMSVPC £'000	HMSCPC £'000	HMSTT £'000	WPT £'000	RMM Trust £'000	RNSM Trust £'000	FAAM Trust £'000	2018 £'000	2017 £'000
Income from:											
Donations and legacies	13,680	-	43	-	4	453	-	-	-	14,180	4,820
Charitable activities	5,580	-	-	-	-	351	-	-	-	5,931	1,982
Gift from predecessor charity	53	-	-	-	-	-	-	-	-	53	-
Fundraising events	-	-	-	-	-	31	-	-	-	31	8
Trading subsidiary	3,209	-	-	-	-	46	-	-	-	3,255	1,063
Supply of staff	-	-	-	-	-	-	-	-	-	-	1,290
Investments	3	-	666	-	8	1	-	-	-	678	657
Other	121	-	-	-	-	2	-	-	-	123	70
<b>Total income</b>	<b>22,646</b>	<b>-</b>	<b>709</b>	<b>-</b>	<b>12</b>	<b>884</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,251</b>	<b>9,890</b>
Expenditure on:											
Raising funds	1,559	-	-	-	4	15	-	-	-	1,578	416
Trading subsidiary	3,139	-	-	-	-	52	-	-	-	3,191	573
Investment management	-	-	230	-	-	-	-	-	-	230	231
Charitable activities	17,004	-	25	-	71	1,106	148	22	287	18,663	11,252
<b>Total expenditure</b>	<b>21,702</b>	<b>-</b>	<b>255</b>	<b>-</b>	<b>75</b>	<b>1,173</b>	<b>148</b>	<b>22</b>	<b>287</b>	<b>23,662</b>	<b>12,472</b>

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5.1 Statement of Financial Activities  
(Subsidiaries) continued

	NMRNO £'000	NMRNH £'000	HMSVPC £'000	HMSCPC £'000	HMSTT £'000	WPT £'000	RMM Trust £'000	RNSM Trust £'000	FAAM Trust £'000	2018 £'000	2017 £'000
Net gain/(loss) on investments	-	-	(539)	-	1	-	-	-	-	(538)	3,919
Net income/(expenditure)	944	-	(85)	-	(62)	(289)	(148)	(22)	(287)	51	1,337
Other recognised gains/(losses)	613	-	4	-	1	17,997	(518)	-	235	18,332	4,529
Revaluation of fixed assets	-	-	-	-	-	(53)	-	-	-	(53)	-
(Loss) on disposal of operations	-	-	-	-	-	-	-	-	-	-	-
Net movement in funds	1,557	-	(81)	-	(61)	17,655	(666)	(22)	(52)	18,330	5,866
Reconciliation of funds											
Fund balances b/f	16,583	5	61,825	12,560	21,468	-	6,974	18,989	9,171	147,575	133,744
Funds transferred to/from successor charities	-	-	-	-	-	8,923	-	-	-	8,923	7,965
Fund balances c/f	18,140	5	61,744	12,560	21,407	26,578	6,308	18,967	9,119	174,828	147,575

5.2 Balance Sheet  
(Subsidiaries)

	NMRNO £'000	NMRNH £'000	HMSVPC £'000	HMSCPC £'000	HMSTT £'000	WPT £'000	RMM Trust £'000	RNSM Trust £'000	FAAM Trust £'000	2018 £'000	2017 £'000
Fixed assets											
Tangible fixed assets	17,526	-	164	-	11	-	5,358	-	5,555	28,614	27,979
Heritage assets	-	-	19,375	12,560	21,008	25,290	734	18,651	3,111	100,729	75,440
Investments	-	-	34,936	-	-	-	-	-	-	34,936	35,653
Current assets	17,526	-	54,475	12,560	21,019	25,290	6,092	18,651	8,666	164,279	139,072
Current liabilities	5,416	5	7,338	-	492	1,792	221	337	600	16,201	15,549
Long term liabilities	(4,802)	-	(69)	-	(12)	(504)	(5)	(21)	(147)	(5,560)	(6,955)
	-	-	-	-	(92)	-	-	-	-	(92)	(91)
Total Funds	18,140	5	61,744	12,560	21,407	26,578	6,308	18,967	9,119	174,828	147,575

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### 5.3 National Museum of the Royal Navy Trading

NMRN Trading (NMRNT) is a company limited by guarantee, incorporated in England & Wales. NMRNT operates a number of retail outlets and cafes within the Museums and the corporate events.

At the discretion of its directors, NMRNT distributes its net profit to NMRN Operations (the parent) or the National Museum of the Royal Navy (the ultimate parent).

A summary of the company's trading results is shown below:

	2018	2017
	£	£
Turnover	3,208,691	3,171,097
Cost of sales	(1,400,824)	(1,156,104)
Gross Profit	1,807,867	2,014,993
Administration	(1,366,945)	(1,526,854)
Net profit	440,922	488,139
Tax on ordinary activities	(14,102)	(288)
Available for distribution	426,820	487,851
Net profit after distribution to other charities	426,820	487,851
Amount gifted to the National Museum of the Royal Navy	(357,570)	(495,800)
Retained profit/(loss) for the period	69,250	(7,949)
Retained profit brought forward	204,237	212,186
Retained profit carried forward	273,487	204,237

On 30 November 2016 the ownership of the National Museum of the Royal Navy Trading transferred to NMRN Operations from the Royal Naval Museum. The results for the year ended 31 March 2017 were apportioned for the period of ownership by the Royal Naval Museum to 30 November 2016, and by NMRN Operations from this date, and included in the respective Statements of Financial Activities on a line by line basis.

The 2018 Statement of Financial Activities also includes the activity of Warrior Trading Limited (Income £46,273, expenditure £52,340).

### 5.4 Agency funds

The National Museum group is responsible for the collection and distribution of ticketing income for the destination Portsmouth Historic Dockyard on behalf of the Mary Rose Trust, Warrior Preservation Trust (to 31 March 2017), Portsmouth Naval Base Property Trust, and the Royal Naval Museum. A summary of the agency fund activity for the year is shown below. These balances are excluded from the accounts. The ticket income due to the Royal Naval Museum and Warrior Preservation Trust (from 1 April 2017) is included in admissions income on the SOFA.

	2018	2017
	Total	Total
	£	£
Statement of financial activities		
Income received	8,036,768	6,567,279
Distributions	(8,036,768)	(6,567,279)
Net incoming resources	-	-
Balance Sheet		
Current assets	701,689	520,893
Current liabilities	(701,689)	(520,893)
Net assets	-	-

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6. Investment income (Group)

	Royal				Royal			
	Unrestricted funds	Naval Museum	Endowment funds	2018 Total	Unrestricted funds	Naval Museum	Endowment funds	2017 Total
	£	£	£	£	£	£	£	£
Interest income	4,534	-	47,262	51,796	4,110	3,047	53,540	60,697
Dividend income	498,201	-	128,424	626,625	479,158	-	120,986	600,144
	<u>502,735</u>	<u>-</u>	<u>175,686</u>	<u>678,421</u>	<u>483,268</u>	<u>3,047</u>	<u>174,526</u>	<u>660,841</u>

7. Fundraising costs (Company)

	Royal			Unrestricted funds	Restricted funds	Royal		<i>Restated</i> 2017 Total
	Unrestricted funds	Naval Museum	2018 Total			Naval Museum	£	
	£	£	£	£	£	£	£	£
Staff costs	-	-	-	301,500	-	-	-	301,500
Fundraising and publicity	58	-	58	(5,040)	-	338,870	-	333,830
	<u>58</u>	<u>-</u>	<u>58</u>	<u>296,460</u>	<u>-</u>	<u>338,870</u>	<u>-</u>	<u>635,330</u>

Fundraising costs (Group)

	Royal			Unrestricted funds	Restricted funds	Royal		<i>Restated</i> 2017 Total
	Unrestricted funds	Naval Museum	2018 Total			Naval Museum	£	
	£	£	£	£	£	£	£	£
Staff costs	525,913	-	525,913	457,541	-	-	-	457,541
Fundraising and publicity	393,683	-	393,683	106,439	-	338,870	-	445,309
	<u>919,596</u>	<u>-</u>	<u>919,596</u>	<u>563,980</u>	<u>-</u>	<u>338,870</u>	<u>-</u>	<u>902,850</u>

8. Costs of charitable activities - by fund type (Company)

	Royal			Unrestricted funds	Restricted funds	Royal		<i>Restated</i> 2017 Total
	Unrestricted funds	Naval Museum	2018 Total			Naval Museum	£	
	£	£	£	£	£	£	£	£
Operations	467,949	-	467,949	302,087	2,409	8,213,722	-	8,518,218
Collections & research	104,671	-	104,671	1,260,823	-	876,560	-	2,137,383
Learning	43,100	-	43,100	417,036	-	120,950	-	537,986
Grant funding	3,127,637	6,221,273	9,348,910	1,199,387	984,916	-	-	2,184,303
	<u>3,743,357</u>	<u>6,221,273</u>	<u>9,964,630</u>	<u>3,179,333</u>	<u>987,325</u>	<u>9,211,232</u>	<u>-</u>	<u>13,377,890</u>

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Costs of charitable activities - by fund type (Group)

	Unrestricted funds	Restricted funds	Royal Naval Museum	2018 Total	Unrestricted funds	Restricted funds	Royal Naval Museum	Restated 2017 Total
	£	£	£	£	£	£	£	£
Operations	7,259,829	8,418,049	-	15,677,878	3,947,684	3,036,600	7,349,943	14,334,227
Collections & research	2,466,801	173,139	-	2,639,940	2,283,048	136,289	876,560	3,295,897
Learning	632,358	42,852	-	675,210	652,049	45,920	120,950	818,919
Grant funding	-	1,184,095	-	1,184,095	-	-	-	-
	<u>10,358,988</u>	<u>9,818,135</u>	<u>-</u>	<u>20,177,123</u>	<u>6,882,781</u>	<u>3,218,809</u>	<u>8,347,453</u>	<u>18,449,043</u>

9. Costs of activities in furtherance of the objects of the charity (Company)

	Operations	Collections & research	Learning	Grant funding	2018 Total	Restated 2017 Total
	£	£	£	£	£	£
Staff costs	356,483	79,739	32,834	-	469,056	2,530,279
Operating costs	-	-	-	-	-	445,423
Marketing	-	-	-	-	-	439,842
Curatorial	-	-	-	-	-	544,011
Purchase of exhibits	-	-	-	-	-	20,712
Depreciation	-	-	-	-	-	273,427
Loss on disposal of fixed assets	-	-	-	-	-	15,872
Governance and support costs	111,466	24,932	10,266	-	146,664	1,361,001
	<u>467,949</u>	<u>104,671</u>	<u>43,100</u>	<u>-</u>	<u>615,720</u>	<u>5,630,567</u>
Project costs:						
HMS Caroline	-	-	-	-	-	4,658,423
HMS M33	-	-	-	-	-	18,215
HMS Victory Preservation	-	-	-	-	-	847,143
Landing Craft (Tank) - LCT7074	-	-	-	-	-	7,160
SeaMore	-	-	-	-	-	32,079
British Mercantile Marine Memorial Collection	-	-	-	1,184,095	1,184,095	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,184,095</u>	<u>1,184,095</u>	<u>5,563,020</u>
Grant funding						
NMRN Operations	-	-	-	8,164,815	8,164,815	2,147,183
NMRN Services	-	-	-	-	-	12,120
NMRN Hartlepool	-	-	-	-	-	5,000
Royal Marines Museum	-	-	-	-	-	20,000
	<u>467,949</u>	<u>104,671</u>	<u>43,100</u>	<u>9,348,910</u>	<u>9,964,630</u>	<u>13,377,890</u>

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Costs of activities in furtherance of the objects of the charity (Group)

	Operations	Collections & research	Learning	2018 Total	Restated 2017 Total
	£	£	£	£	£
Staff costs	3,457,481	948,087	410,121	4,815,689	4,139,382
Operating costs	610,596	-	-	610,596	799,927
Operating costs	668,826	-	-	668,826	553,600
Curatorial	-	776,472	-	776,472	609,430
Purchase of exhibits	145,060	17,285	-	162,345	52,553
Depreciation	787,391	456,627	75,768	1,319,786	1,292,087
Loss on disposal of fixed assets	-	-	-	-	56,016
Governance and support costs	1,939,412	441,469	189,321	2,570,202	2,687,512
	<u>7,608,766</u>	<u>2,639,940</u>	<u>675,210</u>	<u>10,923,916</u>	<u>10,190,507</u>
Project costs:					
HMS Caroline	4,778,834	-	-	4,778,834	6,690,618
HMS M33	49,990	-	-	49,990	19,475
HMS Victory	906,051	-	-	906,051	1,417,980
HMS Warrior	1,212,023	-	-	1,212,023	-
Landing Craft (Tank) - LCT7074	128,423	-	-	128,423	58,400
SeaMore	735,895	-	-	735,895	72,063
British Mercantile Marine Memorial Collection	1,233,000	-	-	1,233,000	-
Fleet Air Arm Museum	96,394	-	-	96,394	-
Other project costs	112,597	-	-	112,597	-
	<u>9,253,207</u>	<u>-</u>	<u>-</u>	<u>9,253,207</u>	<u>8,258,536</u>
	<u>16,861,973</u>	<u>2,639,940</u>	<u>675,210</u>	<u>20,177,123</u>	<u>18,449,043</u>

10. Analysis of governance and support costs (Company)

	Operations	Collections & research	Learning	2018 Total	2017 Total
	£	£	£	£	£
Accountancy & payroll	16,758	3,748	1,544	22,050	67,809
Auditor remuneration	-	-	-	-	5,890
Auditor remuneration - NAO	27,360	6,120	2,520	36,000	34,001
Legal and professional	4,393	983	404	5,780	223,566
Insurance	-	-	-	-	152,256
Premises expenses	-	-	-	-	455,133
Travelling expenses	23,065	5,159	2,125	30,349	102,612
Communication and IT	535	119	49	703	31,047
Printing, postage and stationery	58	13	38	109	34,976
Bank & credit card charges	28,512	6,378	2,626	37,516	118,535
Depreciation	852	191	79	1,122	1,096
Sundry expenses	9,933	2,221	881	13,035	60,280
Losses and special payments (note 26)	-	-	-	-	73,800
	<u>111,466</u>	<u>24,932</u>	<u>10,266</u>	<u>146,664</u>	<u>1,361,001</u>

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Analysis of governance and support costs (Group)

	Operations	Collections & research	Learning	2018 Total	2017 Total
	£	£	£	£	£
Staff costs	-	-	-	-	215,124
Accountancy	62,306	16,393	5,268	83,967	125,229
Auditor remuneration	43,483	19,560	2,728	65,771	43,138
Auditor remuneration - NAO	27,360	6,120	2,520	36,000	34,001
Legal and professional	144,836	31,983	13,169	189,988	283,197
Repairs and maintenance	292,573	65,444	26,948	384,965	144,525
Insurance	157,361	34,547	15,010	206,918	159,376
Premises expenses	790,495	177,474	72,292	1,040,261	959,545
Travelling expenses	120,263	26,751	11,016	158,030	155,077
Communication and IT	53,523	11,972	4,930	70,425	62,670
Printing, postage and stationery	66,258	14,612	6,049	86,919	135,335
Bank charges & interest	128,313	29,200	11,772	169,285	156,179
Depreciation	10,914	191	79	11,184	65,111
Sundry expenses	41,727	7,222	17,540	66,489	75,205
Losses and special payments (note 26)	-	-	-	-	73,800
	<u>1,939,412</u>	<u>441,469</u>	<u>189,321</u>	<u>2,570,202</u>	<u>2,687,512</u>

11. Employees

	Group 2018	Group 2017	Company 2018	Company 2017
	£	£	£	£
Employment costs				
Wages and salaries	6,008,351	5,369,266	374,353	2,437,525
Social security costs	413,167	367,895	39,839	193,262
Pension costs	393,626	398,598	40,964	191,351
Employee benefits	16,724	22,814	16,724	21,236
	<u>6,831,868</u>	<u>6,158,573</u>	<u>471,880</u>	<u>2,843,374</u>

Key management personnel

Employee benefits received by key management personnel total £398,768 for the year to 31 March 2018 (2017: £352,248).

Higher paid employees

The number of employees who earned more than £60,000 during the year was as follows:

	Group 2018	Group 2017	Company 2018	Company 2017
£60,001 to £70,000	1	-	-	-
£70,001 to £80,000	-	2	-	2
£80,001 to £90,000	1	1	1	1
£90,001 to £100,000	2	-	2	-
£100,001 to £110,000	-	1	-	1
£120,001 to £130,000	1	-	1	-
	<u>1</u>	<u>3</u>	<u>4</u>	<u>4</u>



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The number of higher paid employees accruing pension benefit during the year was as follows:

	Group 2018	Group 2017	Company 2018	Company 2017
Defined contributions scheme	<u>5</u>	<u>4</u>	<u>4</u>	<u>4</u>

The total contributions paid by the charity into the defined contributions scheme for higher paid employees was £61,047 (2017: £53,200).

The total contributions paid by the group into the defined contributions scheme for higher paid employees was £69,415 (2017: £53,200).

Charity and Group contributions include amounts paid under the "salary exchange" scheme (see note 1.16) and performance related bonuses of £20,000 taken as additional pension contribution.

Number of employees

The average monthly numbers of employees during the year, was as follows:

	Group 2018	Group 2017	Company 2018	Company 2017
Charitable expenditure	377	309	-	108
Cost of generating funds	4	2	-	2
Governance costs	6	4	4	4
	<u>387</u>	<u>315</u>	<u>4</u>	<u>114</u>

The above includes workers engaged under Casual Worker Agreements. 259 of the above staff are female and 139 male. 138 staff are employed on full time contracts with all other staff employed on a part time contracts. The average full time equivalent number of staff for the year was 249.8 (2017: 189.4).

The fall in company staff numbers is due to the transfer of all non-executive employees to NMRN Operations.

Staff costs for the charity for the year include an accrual of £Nil (2017: £1,659), and for the group include £23,364 (2017: £29,553), for short-term compensated absences arising from employee entitlement to annual leave.

During the financial year 20 redundancies (2017: 19) were identified within the group and contractual/redundancy costs of £184,180 were paid (2017: £40,174). A further £3,617 was accrued at 31 March 2018.

11.1. Trustees' emoluments

No trustees received remuneration during the year (2017: Nil). Nine trustees from the National Museum of the Royal Navy were reimbursed for travel expenses totalling £4,200 (2017: Eight trustees - £3,421).

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12. Net outgoing resources for the year

	2018	2017
	£	£
Net outgoing resources is stated after charging:		
Depreciation and other amounts written off tangible fixed assets	1,385,717	1,367,283
Loss on disposal of tangible fixed assets	-	56,016
Auditors' remuneration - National Audit Office	36,000	34,001
Auditors' remuneration - Subsidiary Auditors	65,771	43,138
Auditors' remuneration from non-audit work	-	68,240
	<u>1,487,488</u>	<u>1,568,678</u>

The Company Auditors' remuneration - National Audit Office - fee in relation to the audit of the 2017 accounts was £34,000. The fee in relation to the 2018 accounts is £36,000.

13. Taxation

The activities of the company and the individual charities fall within the exemptions afforded by the provisions of the Corporation Tax Act 2010. Accordingly, there is no taxation charge in these accounts.

NMRN Operations and the Warrior Preservation Trust each have a wholly owned, non-charitable subsidiary trading company. These companies are subject to Corporation Tax.

14. Tangible fixed assets (Company)

	Plant and machinery	Fixtures, fittings and equipment	Heritage assets	Total
	£	£	£	£
Cost or valuation				
At 1 April 2017	4,159	8,820	3,024,527	3,037,506
Additions	-	-	139,907	139,907
Revaluation	51	219	-	270
At 31 March 2018	<u>4,210</u>	<u>9,039</u>	<u>3,164,434</u>	<u>3,177,683</u>
Depreciation				
At 1 April 2017	3,337	6,690	-	10,027
Charge for the year	209	914	-	1,123
On revaluation	31	167	-	198
At 31 March 2018	<u>3,577</u>	<u>7,771</u>	<u>-</u>	<u>11,348</u>
Net book values				
At 31 March 2018	<u>633</u>	<u>1,268</u>	<u>3,164,434</u>	<u>3,166,335</u>
At 31 March 2017	<u>822</u>	<u>2,130</u>	<u>3,024,527</u>	<u>3,027,479</u>

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Tangible fixed assets (Group)

	Assets under construction	Freehold	Short leasehold	Computer and office equipment	Plant and machinery	Fixtures, fittings and equipment	Exhibitions	Heritage assets	Total
	£	£	£	£	£	£	£	£	£
Cost or valuation									
At 1 April 2017	-	16,911,316	9,430,512	2,806,113	2,221,265	7,088,362	362,628	78,463,802	117,283,998
Additions	1,519,715	-	-	13,611	107,017	96,875	-	7,432,768	9,169,986
Disposals	-	-	-	-	(56,732)	-	-	-	(56,732)
Revaluation	-	(182,386)	407,262	29,575	43,026	173,207	7,785	17,997,404	18,475,873
At 31 March 2018	<u>1,519,715</u>	<u>16,728,930</u>	<u>9,837,774</u>	<u>2,849,299</u>	<u>2,314,576</u>	<u>7,358,444</u>	<u>370,413</u>	<u>103,893,974</u>	<u>144,873,125</u>
Depreciation									
At 1 April 2017	-	1,891,452	1,070,584	2,407,695	811,807	4,432,077	224,817	-	10,838,432
Charge for the year	-	468,659	326,145	102,490	111,519	331,829	45,075	-	1,385,717
On disposals	-	-	-	-	(5,256)	-	-	-	(5,256)
On revaluation	-	(37,967)	46,276	16,809	6,892	107,963	4,358	-	144,331
At 31 March 2018	<u>-</u>	<u>2,322,144</u>	<u>1,443,005</u>	<u>2,526,994</u>	<u>924,962</u>	<u>4,871,869</u>	<u>274,250</u>	<u>-</u>	<u>12,363,224</u>
Net book values									
At 31 March 2018	<u>1,519,715</u>	<u>14,406,786</u>	<u>8,394,769</u>	<u>322,305</u>	<u>1,389,614</u>	<u>2,486,575</u>	<u>96,163</u>	<u>103,893,974</u>	<u>132,509,901</u>
At 31 March 2017	<u>-</u>	<u>15,019,864</u>	<u>8,359,928</u>	<u>398,418</u>	<u>1,409,458</u>	<u>2,656,285</u>	<u>137,811</u>	<u>78,463,802</u>	<u>106,445,566</u>

Land and buildings owned by the Fleet Air Arm Museum were revalued in 2015 by DVS Property Specialists, in accordance with the stated policy. Land and buildings owned by the Royal Navy Submarine Museum (and subsequently transferred to NMRN Operations) were revalued in 2017 by Hellier Langston, in accordance with the stated policy. The revaluations were conducted by qualified surveyors on a depreciated replacement cost basis and in accordance with the RICS Valuation Professional Standards.

Land and buildings owned by the Royal Marines Museum were revalued in 2017/18 to £5,500,000 by D.M.Nesbit & Company in accordance with the stated accounting policy. The revaluation was conducted by a qualified surveyor on a market value basis and in accordance with the RICS Valuation Professional Standards.

Short leasehold also includes leasehold improvements in NMRN Operations which are revalued annually using Ministry of Defence Modified Historic Cost Accounting (MHCA) indices.

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#### 15. The Collections

The collections are held by each trust individually and consist of artefacts, physical, written and oral reflecting the history of the Royal Navy and its people throughout the area of its worldwide operations. In addition to covering the Royal Navy as a whole, the particular branches of the service (Surface Fleet, Submarines, Royal Marines and Fleet Air Arm) are also well represented.

The number of artefacts held by each trust is summarised below, by category:

Category	Royal Naval Museum	Explosion Museum	Royal Navy Submarine Museum	Royal Marines Museum	Fleet Air Arm Museum	HMS M33 Trust	HMS Victory Preservation Trust	HMS Caroline Preservation Trust	HMS Trincomalee Trust	Warrior Preservation Trust	Total
Large Items	59	13	8	22	180	1	1	1	1	1	287
Works of Art/Models	5,156	260	957	2,099	1,310	-	-	-	8	155	9,945
Documentary Archive	33,955	4,109	22,000	27,737	1,034,148	-	-	-	4	1,427	1,123,380
Uniforms/Badges & Insignia	7,486	-	848	5,015	4,403	-	-	-	-	45	17,797
Orders & Decorations	5,287	-	235	8,792	1,556	-	-	-	19	12	15,901
Weapons/Armaments	291	1,251	64	1,581	194	-	-	-	-	20	3,401
Photograph/Microfilm/Fiche	163,535	2,978	60,793	2,002,026	881,452	-	-	-	-	315	3,111,099
Film and Sound Recordings	621	22	825	301	164	-	-	-	-	1	1,934
Other	4,064	5,147	3,600	3,772	17,265	-	-	-	2	1,154	35,004
<b>Total</b>	<b>220,454</b>	<b>13,780</b>	<b>89,330</b>	<b>2,051,345</b>	<b>1,940,672</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>34</b>	<b>3,130</b>	<b>4,318,748</b>

#### Royal Naval Museum

In 2011/12 the title to, and beneficial ownership of, the collection relating to HMS Caroline passed to the Royal Naval Museum. This collection consists of around 400 items including pictures, photographs, flags and other items. Information regarding cost or value of this collection is not readily available and the charity considers that the cost of obtaining such valuation for the collection of assets held is significant, and is not commensurate with the benefit obtained by including the additional capitalised value in the financial statements.

On 28 March 2013 the title to, and beneficial ownership of, the collection belonging to the Explosion Museum, Gosport, passed to the Royal Naval Museum. This extensive collection includes small arms, cannon and guns, shells and munitions, mines, torpedoes, modern missiles, and an atom bomb. The collection has been included within heritage asset additions at the purchase price of £145,000.

One other significant Second World War item accessioned to the collection of the Royal Naval Museum is Landing Craft (Tank) Mk III, LCT 7074, gifted to the National Museum of the Royal Navy (NMRN) from the Mersey Docks and Harbour Company Limited on 7 November 2014. The methodology of valuation of significant ships should be consistent with that used by NMRN, using the total rebuild basis discounted for the ship's current state of repair. Whilst the cost of rebuild can be established using the original cost of building uplifted for today's value, information regarding the cost or value of the conservation required to bring the ship to an 'as new' condition is not readily available, therefore no value has been applied to the gift at this stage. The value will be revisited in future years when further information regarding the costs of conservation have been established.

On 31 March 2017, a gift for charitable purposes was made to the Royal Naval Museum of 777 items from the Ministry of Defence Art Collection, including paintings, objects d'art, ship figureheads, engravings and furniture. Given the diverse nature of the collection and the uniqueness of some items, comparables are not readily available to the National Museum for valuation purposes. The collection is dispersed across Ministry of Defence buildings throughout the United Kingdom and abroad and will remain in situ for the foreseeable future. As such, there are considerable practical difficulties associated with accessing such a large volume of items to determine their quality, authenticity, condition and value. The supporting information made available to the National Museum by the Ministry of Defence is limited in terms of making a realistic valuation and would take significant work to generate e.g. condition reports, imagery, etc. The Trustees consider that the costs of obtaining a reliable valuation for this collection would be significant, and is not commensurate with the benefit obtained by including the additional capitalised value in the accounts. Additionally, given the circumstances described, any attempt to value the collection would be considerably arbitrary, to the extent that such a valuation would be potentially misleading to a user of the financial statements.

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Five-year summary of transactions

	31 March 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014
	£	£	£	£	£
<b>Purchased additions</b>					
Royal Naval Museum	136,907	5,000	154,984	154,692	46,271
Royal Marines Museum	-	-	-	13,583	8,690
Royal Navy Submarine Museum	-	-	3,750	80,688	1,137,080
Fleet Air Arm Museum	-	2,750	-	-	43,025
	<u>136,907</u>	<u>7,750</u>	<u>158,734</u>	<u>248,963</u>	<u>1,235,066</u>
<b>Donated additions</b>					
Royal Naval Museum	3,000	264,464	167,000	15,000	96,575
Royal Marines Museum	-	-	-	34,192	12,760
Fleet Air Arm Museum	-	-	150,000	-	-
HMS Trincomalee Trust	-	7,880	-	-	-
HMS Caroline Preservation Co	-	-	-	-	7,556,000
	<u>3,000</u>	<u>272,344</u>	<u>317,000</u>	<u>49,192</u>	<u>7,665,335</u>
<b>Total additions</b>	<u>139,907</u>	<u>280,094</u>	<u>475,734</u>	<u>298,155</u>	<u>8,900,401</u>
<b>Carrying value of disposals</b>					
Total disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sale proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total sale proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Significant historic ships

The Royal Navy Submarine Museum Trust – HMS *Alliance*

The submarine, HMS *Alliance*, was constructed in Barrow-in-Furness in 1947. She is a Royal Navy A Class submarine and is the only surviving example of the class. The ship was transferred to the Royal Navy Submarine Museum in 1979 where she has been on display since the transfer. HMS *Alliance* is valued at £18,480,000 to reflect its estimated rebuild cost.

The valuation was carried out in 2015. The original build cost of the submarine is estimated to be £304,495 based on the cost of a similar T Class submarine – HMS *Triumph* – built in 1936. Uplifted for current value (2015), this cost was the equivalent to £18,480,000.

HMS *Alliance* was completely refurbished and reopened to the public in April 2014. The renovation work carried out was an extensive project costing around £7,000,000 to complete, and included repairing damage to the hull, in addition to completely restoring the interior of the submarine. As a result of these works it was not felt that any deductions to the original cost for disrepair was necessary.

HMS Caroline Preservation Trust – HMS *Caroline*

The ship, HMS *Caroline*, was constructed at the Cammell Laird shipyard in Birkenhead in 1914. She was one of eight C-class light cruisers and is the last remaining British WW1 light cruiser still afloat and the sole survivor of the Battle of Jutland. The ship was gifted to the Trust on 18 November 2013 by the Ministry of Defence. HMS *Caroline* was initially recognised in the accounts at a value of £7,556,000, calculated on a total build basis discounted to take account of the ship's state of repair at the time of gifting.

In 1914, the original build cost of HMS *Caroline* was £300,000. Uplifted for current value (2013), this cost was the equivalent of £25,120,000. The ship would be brought to sound and original condition, as far as possible, in the course of the refurbishment programme. However substantial elements of the original ship including the boilers, and armaments, would not be replaced. It was therefore the view of the project management team that 50% of the original value was a reasonable measure of the heritage asset value of the ship on completion of these works, the discounted value being £12,560,000.

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Based on the above, the ship was initially recognised in the accounts at a value of £7,556,000, reflecting the value on completion of £12,560,000, discounted back for the expenditure anticipated to be required to achieve that outcome. The value was then increased in the year to 31 March 2016 by £1,079,000, and in the year to 31 March 2017 by £3,925,000, to the final valuation of £12,560,000 on completion of the scheduled programme of works.

HMS Trincomalee Trust – HMS *Trincomalee*

The ship, HMS *Trincomalee*, is the oldest surviving Royal Navy Frigate and the oldest warship still afloat in the UK. She was acquired by the Trust for a nominal £1. HMS *Trincomalee* has been included at a valuation designed to reflect the estimated rebuild costs of the ship.

The value of HMS *Trincomalee*, on the basis of a full renewal cost of rebuild, discounted to take account of the ship's current state of repair, has been calculated at £21,000,000. The calculation is based on the comparable cost of the Frigate *Hermione* project, completed in 2012. This cost was pro-rated for the relative displacement tonnages. L'*Hermione*'s displacement tonnage was 1,166 tonnes and the rebuild cost was £16,700,000 in 2012. HMS *Trincomalee*'s displacement tonnage is 1,447 tonnes (per 'Great Sailing Ships of the World' by Otmar Schauffelen) therefore the rebuild cost is approximately £21,000,000.

The restoration to restore her to her original condition was completed in 2001, prior to this revaluation to her full rebuild cost.

HMS Victory Preservation Trust – HMS *Victory*

The ship, HMS *Victory*, was floated out of the Old Single Dock in Chatham's Royal Dockyard in 1765. In 1805 she achieved lasting fame as the flagship of Vice-Admiral Nelson in Britain's greatest naval victory, the defeat of the French and Spanish at the Battle of Trafalgar. She is the oldest commissioned warship in the world and remains a commissioned warship of the Royal Navy and the Flag Ship of the First Sea Lord. The ship was gifted to the Trust on 29 March 2012 by the Ministry of Defence.

HMS *Victory* has been included in the accounts at a value of £19,375,000 calculated on a total rebuild basis discounted to take account of the ship's current state of repair. This value was calculated by staff of the National Museum by reference to the costs incurred by the Association Hermione-La Fayette in their construction of the replica frigate, *Hermione*, on a pro-rata basis on respective tonnage displacement of the two ships.

The value of HMS *Victory*, on the basis of full renewal cost of rebuild, has been calculated as £50,000,000. The calculation is based on the comparable cost of the frigate 'Hermione' project, completed in 2012. This cost was pro-rated for the relative displacement tonnages. L'*Hermione*'s displacement tonnage was 1,166 tonnes and the rebuild cost was £16,700,000 in 2012. HMS *Victory*'s displacement tonnage is 3,500 tonnes therefore the rebuild cost is approximately £50million.

HMS *Victory* today is far from 'new build' condition and during the next 10-20 years, it is projected that a sum in the region of £30,625,000 (at current costs) will be expended in bringing the Ship to (something close to) new condition. Whilst HMS *Victory* will not then be literally 'as good as new', any lower value would be offset by it being, at least in perception, the original ship.

Based on the above, the ship has been recognised in the accounts at a valuation of £19,375,000 reflecting an 'as new' value, discounted back for the expenditure anticipated to be required to achieve that outcome. An increasing value, over time, as renovations are carried out, will reflect the improving condition of the ship.

Warrior Preservation Trust – HMS *Warrior 1860*

The original hull of the ship, HMS *Warrior*, was laid down at the Thames Iron Works and Shipbuilding Company based at Blackwall, London. Completed in 1861, she was the world's first ocean-going, iron-hulled, armoured warship. The original hull of HMS *Warrior* was acquired by the Maritime Trust from the Ministry of Defence for £1 in August 1979, and transferred to the Warrior Preservation Trust in 1983. HMS *Warrior 1860* has been included at a valuation designed to reflect the estimated rebuild costs of the hull.

In 1861, the original cost of the hull was £282,284. Uplifted for current value (2017) this cost was the equivalent of £25,040,000. The ship was brought to sound and original condition, as far as possible, during the restoration between 1979 and 1987 therefore it was not felt that any deductions to the original cost for disrepair was necessary.

HMS M33 Trust – HMS *M33*

Monitor HMS *M33* was built by Harland and Wolff, Belfast, in 1915. She is one of only three surviving Royal Navy warships of the First World War and the only surviving ship from the Gallipoli Campaign. The ship was gifted to the Trust on 19 May 2014 by Hampshire County Council. HMS *M33* was initially recognised in the accounts at a value of £1,092,378, calculated on a total build basis discounted to take account of the ship's current state of repair.

In 1915, the original build cost of HMS *M33* was £40,000. Uplifted for current value (2014), this cost was the equivalent of £2,863,000. The ship has been brought to sound and original condition, as far as possible, in the course of the conservation programme. However substantial elements of the original ship, notably the boilers and engines, were removed in the past and will not be replaced. It is therefore the view of the project management team that 62% of the original value is a reasonable measure of the heritage asset value of the ship on completion of these works, the discounted value being £1,775,060.

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Significant historic ships summary

Reporting entity	Name of ship	Donor	Date of gift	Uplifted original build cost apportioned for value on completion	Estimated cost or repair at time of gifting	Value of gift	Value at 1 April 2017	Increase in year	Value at 31 March 2018
Royal Navy Submarine Museum	HMS <i>Alliance</i>	Ministry of Defence	1979	£18,480,000	N/A	N/A	£18,480,000	-	£18,480,000
HMS Victory Preservation Trust	HMS <i>Victory</i>	Ministry of Defence	2012	£50,000,000	£30,625,000	£19,375,000	£19,375,000	-	£19,375,000
HMS Caroline Preservation Trust	HMS <i>Caroline</i>	Ministry of Defence	2013	£12,560,000	£5,004,000	£7,556,000	£12,560,000	-	£12,560,000
HMS M33 Trust	HMS <i>M33</i>	Hampshire County	2014	£1,775,060	£682,682	£1,092,378	£1,775,060	-	£1,775,060
HMS Trincomalee Trust	HMS <i>Trincomalee</i>	N/A – purchased for £1	N/A	£21,000,000	N/A	N/A	£21,000,000	-	£21,000,000
Warrior Preservation Trust Limited	HMS <i>Warrior 1860</i>	N/A – purchased for £1	N/A	£25,040,000	N/A	N/A	£7,042,596	£17,997,404	£25,040,000

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16. Investment assets

	Company		Group	
	Listed 2018 £	Unlisted 2018 £	Listed 2018 £	Unlisted 2018 £
Valuation				
At 1 April 2017	-	-	35,652,980	750
Additions	-	100	181,546	-
Disposals	-	-	(131,084)	(750)
Gains and losses before management fees			(538,442)	
Less management fees deducted			(229,132)	
Realised and unrealised gains and losses	-	-	(767,574)	-
At 31 March 2018	-	100	34,935,868	-
Historical cost as at 31 March 2018	-	100	30,983,310	-
Historical cost as at 31 March 2017	-	-	29,949,730	750
Investments By fund:				
Unrestricted funds	-	100	-	-
Other restricted funds	-	-	-	-
Endowment funds	-	-	34,935,868	-
	-	100	34,935,868	-

Included in the above investments are:

National Museum - shares in the subsidiary charity - Warrior Preservation Trust Limited - valued at cost of £100 (2017: £Nil)

HMS Victory Preservation Company:

The HMS Victory Preservation Company holds two portfolios of investments, managed by Ruffer and Cazenove respectively. The investment objective is to generate a total return of inflation plus 3% per annum over the long term. The market valuation at the year end is provided by the Fund Managers, the results of which are summarised as follows:

		2018 £	2017 £
<u>UK</u>	UK government and fixed interest securities	4,669,510	5,385,583
	UK bonds	1,329,185	1,214,300
	UK equities	7,634,183	8,325,157
	Portfolio funds	669,441	689,290
	Others	6,804,966	4,791,661
	Capital account	1,642,356	1,827,939
		22,749,641	22,233,930
<u>Overseas</u>	Fixed interest	2,011,029	2,256,884
	International bonds	723,602	1,077,375
	International equities	9,280,431	9,794,622
	Others	171,165	159,784
		12,186,227	13,288,665
		34,935,868	35,522,595



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17. Stocks

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Held by:				
HMS Victory Preservation Company	6,662,566	6,666,722	-	-
NMRN Operations	214,707	216,637	-	-
Trading subsidiaries	629,209	546,187	-	-
	<u>7,506,482</u>	<u>7,429,546</u>	<u>-</u>	<u>-</u>

In March 2012, along with the gift of HMS Victory, the HMS Victory Preservation Company (HMSVPC) received approximately 500m<sup>3</sup> of teak, procured by MoD in order to undertake repairs to the ship's planking. At the HMSVPC Board meeting of 13 November 2014, the Board endorsed the Technical Committee's recommendation that, for planning purposes, oak be used as the candidate timber for the conservation of the Ship. Samples of oak are presently being tested to assess their durability in the Ship's structure, and a final decision on whether to use oak or teak for the Ship's conservation will be made by December 2018.

The teak timber stocks held are in laminated board form; that is, the boards have been manufactured from smaller pieces of timber. The University of Ljubljana and BMTRADA (formerly the Timber Research and Development Agency) were contracted to undertake testing of the quality of the laminates, both with a view to the use of teak in the Ship (should oak prove unable to meet the conservation objectives), and also to understand the timber's value should disposal be considered. The teak has been tested and found to have a durability test score of class one and a laminate strength of 'strength three' which is adequate for cladding but not necessarily marine usage. It is estimated that around 50% of the 500m<sup>3</sup> of teak in stock will be required for use on the Ship over the next twenty years.

It has not been possible to obtain reliable valuations for the unneeded teak stock and there appears to be little market demand for wild grown teak laminates. In the absence of a reliable alternative valuation, no adjustment has been made to the value of the teak stock carried forward in the balance sheet.

In addition to the timber gifted by MoD, a further amount of timber is also held for use in the preservation of the Ship. This timber remains the property of the Crown. Although the charitable company has day to day use of this timber, ultimate control remains with the Crown. Accordingly, movements of this stock are recorded to recognise the donation of timber by the Crown as it is used on the Ship.

In 2016, 93 tonnes of oak and elm were donated by four Scottish Estates towards the conservation of HMS Victory. The logs were surveyed over winter 2016/17 and sawn into planks. The timber is being stored and seasoned by a timber specialist with the anticipated seasoning period expected to be between 4-5 years for the oak, and 3-7 years for the elm. When the final seasoned quantity is known, the timber will be valued at market value and brought onto the balance sheet.

18. Debtors

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade debtors	285,542	767,609	41	149,476
Amounts owed by group undertakings	-	-	1,569,570	2,828,562
Other debtors	906,014	126,601	600,211	208
Prepayments & accrued income	2,202,729	841,138	855,809	-
VAT	226,445	161,453	-	-
	<u>3,620,730</u>	<u>1,896,801</u>	<u>3,025,631</u>	<u>2,978,246</u>

At the balance sheet date, the HMS Trincomalee Trust had debtors due after more than one year of £424,253 (2017: £415,935).

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19. Creditors: amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Other loans	310,458	143,318	310,458	143,318
Trade creditors	1,609,296	850,826	-	1,260
Other creditors	1,968,512	1,650,376	1,607,549	1,356,389
Other taxes and social security	118,587	143,274	13,191	13,978
Accruals and deferred income	979,079	1,485,579	84,360	63,739
	<u>4,985,932</u>	<u>4,273,373</u>	<u>2,015,558</u>	<u>1,578,684</u>

20. Creditors: amounts falling due after more than one year after more than one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Other loans	352,393	480,581	260,000	390,000
	<u>352,393</u>	<u>480,581</u>	<u>260,000</u>	<u>390,000</u>

21. Analysis of net assets between funds

	Tangible Fixed Assets £	Investments £	Net current assets £	Long term liabilities £	Total £
Restricted funds:					
Restricted funds	-	-	1,653,487	-	1,653,487
Royal Naval Museum	1,389,374	-	23,918	-	1,413,292
HMS M33 Trust	1,775,060	-	-	-	1,775,060
	<u>3,164,434</u>	<u>-</u>	<u>1,677,405</u>	<u>-</u>	<u>4,841,839</u>
Unrestricted funds	1,901	100	16,562	(260,000)	(241,437)
Total Company funds at 31 March 2018	<u>3,166,335</u>	<u>100</u>	<u>1,693,967</u>	<u>(260,000)</u>	<u>4,600,402</u>
Funds held by:					
NMRN Operations	17,526,143	-	614,146	-	18,140,289
NMRN Hartlepool	-	-	4,835	-	4,835
HMS Victory Preservation Company	19,538,811	34,935,868	7,269,216	-	61,743,895
HMS Caroline Preservation Company	12,560,000	-	208	-	12,560,208
HMS Trincomalee Trust	21,019,408	-	480,101	(92,393)	21,407,116
Warrior Preservation Trust Limited	25,290,265	-	1,287,596	-	26,577,861
Royal Navy Submarine Museum Trust	18,651,273	-	315,328	-	18,966,601
Royal Marines Museum Charitable Trust	6,091,812	-	215,875	-	6,307,687
Fleet Air Arm Museum	8,665,854	-	452,865	-	9,118,719
Consolidation adjustment	-	(100)	100	-	-
Total Group funds at 31 March 2018	<u>132,509,901</u>	<u>34,935,868</u>	<u>12,334,237</u>	<u>(352,393)</u>	<u>179,427,613</u>

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22. Restricted funds and endowment funds

Restricted funds:	At 1 April 2017 £	On acquisition £	Incoming resources £	Outgoing resources £	Transfers £	Gains and losses £	At 31 March 2018 £
<b>Company:</b>							
HMS Caroline fund	48,904	-	4,551,593	(4,748,562)	(1,370)	-	(149,435)
LIBOR SeaMore fund	2,002,388	-	-	(199,466)	-	-	1,802,922
LCT 7074 fund	-	-	40,245	(40,245)	-	-	-
British Mercantile Marine Memorial Collection	-	-	1,233,000	(1,233,000)	-	-	-
<b>Linked charities:</b>							
Royal Naval Museum	1,273,385	-	139,907	-	-	-	1,413,292
HMS M33 Trust	1,775,060	-	-	-	-	-	1,775,060
	<u>5,099,737</u>	<u>-</u>	<u>5,964,745</u>	<u>(6,221,273)</u>	<u>(1,370)</u>	<u>-</u>	<u>4,841,839</u>
<b>Group:</b>							
NMRN Operations	11,847,571	-	8,894,499	(8,528,403)	98,461	425,505	12,737,633
HMS Victory Preservation Co	28,210,693	-	-	(14,218)	(2,000,000)	4,242	26,200,717
HMS Caroline Preservation Co	12,560,000	-	-	-	-	-	12,560,000
HMS Trincomalee Trust	21,052,054	-	-	(16,906)	-	412	21,035,560
Warrior Preservation Trust Limited	-	2,650,872	-	-	4,410,951	17,997,405	25,059,228
Royal Navy Submarine Museum Trust	18,616,838	-	18	(16,555)	-	(243)	18,600,058
Royal Marines Museum Charitable Trust	452,483	-	-	(4,605)	-	12,335	460,213
Fleet Air Arm Museum	2,736,921	-	-	(69,908)	-	117,335	2,784,348
Consolidation adjustments	-	-	(5,406,743)	5,053,733	353,010	-	-
	<u>100,576,297</u>	<u>2,650,872</u>	<u>9,452,519</u>	<u>(9,818,135)</u>	<u>2,861,052</u>	<u>18,556,991</u>	<u>124,279,596</u>
<b>Endowment funds:</b>							
	At 1 April 2017 £	On acquisition £	Incoming resources £	Outgoing resources £	Transfers £	Gains and losses £	At 31 March 2018 £
<b>Group:</b>							
HMS Victory Preservation Co	33,474,994	-	175,686	(230,395)	1,995,524	(539,141)	34,876,668
HMS Trincomalee Trust	5,000	-	-	-	-	-	5,000
Warrior Preservation Trust Limited	-	4,720,866	446,695	-	(4,068,358)	-	1,099,203
	<u>33,479,994</u>	<u>4,720,866</u>	<u>622,381</u>	<u>(230,395)</u>	<u>(2,072,834)</u>	<u>(539,141)</u>	<u>35,980,871</u>

The HMS Caroline fund is for the conservation of the ship and its development as a visitor attraction. This work has been fully funded by HLF and the Northern Ireland Tourist Board (NITB) to NMRN.

The LIBOR SeaMore fund represents funding received for the SeaMore project which will include the relocation of the Royal Marines Museum to Portsmouth Historic Dockyard, and the development of a central repository for historic artefacts and documents of the various museums within the NMRN group.

The LCT 7074 fund represents HLF funding received for the conservation and display of this Second World War Landing Craft (Tank).

The LIBOR British Mercantile Marine Memorial Collection fund was received in order for the collection to be purchased on behalf of the newly created Mercantile Marine Memorial Trust which will hold the collection for the nation.

The restricted funds of the individual museums are detailed in the accounts of the respective organisations.

Endowment funds include funds donated by the Gosling Foundation for the maintenance and upkeep of HMS Victory.

Consolidation adjustments reflect funds received by, and paid to, other group entities by the Royal Naval Museum.

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## 22.1 Linked charities of the National Museum

SORP 2015 (FRS 102) requires the activities of linked charities to be shown separately within these accounts in a manner similar to the presentation of restricted funds. The Royal Naval Museum and HMS M33 Trust are made up of the following:

Royal Naval Museum (operational activity transferred to NMRN Operations on 30/11/2016)

	At 1 April 2017 £	Incoming resources £	Transfers £	At 31 March 2018 £
Unrestricted funds	1,166,719	139,907	-	1,306,626
Restricted funds				
Johnstone Library fund	23,918	-	(23,918)	-
RML 497 Fairmile (the ship)	82,748	-	-	82,748
	<u>106,666</u>	<u>-</u>	<u>(23,918)</u>	<u>82,748</u>
Endowment funds				
Johnstone Library fund	-	-	23,918	23,918
	<u>-</u>	<u>-</u>	<u>23,918</u>	<u>23,918</u>
<b>Total funds of the Royal Naval Museum</b>	<u><u>1,273,385</u></u>	<u><u>139,907</u></u>	<u><u>-</u></u>	<u><u>1,413,292</u></u>

Royal Naval Museum Balance Sheet summary

	2018 £	2017 £
Heritage assets	1,389,374	1,249,467
Current assets	23,918	23,918
<b>Net assets</b>	<u><u>1,413,292</u></u>	<u><u>1,273,385</u></u>
Funds		
Unrestricted funds	1,306,626	1,166,719
Restricted funds	82,748	106,666
Endowment funds	23,918	-
<b>Total funds of the Royal Naval Museum</b>	<u><u>1,413,292</u></u>	<u><u>1,273,385</u></u>

HMS M33 Trust

	At 1 April 2017 31 March 2018 £
Unrestricted funds of the HMS M33 Trust	<u><u>1,775,060</u></u>
HMS M33 Trust Balance Sheet summary	
	2018 £
Heritage assets	1,775,060
<b>Net assets</b>	<u><u>1,775,060</u></u>
Funds	
Unrestricted reserves	1,092,378
Revaluation reserve	682,682
<b>Total funds of the HMS M33 Trust</b>	<u><u>1,775,060</u></u>

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23. Transfers between funds

HMS Victory Preservation Company

£2,000,000 was transferred from other restricted funds to endowment funds to reflect the full value of the Catalyst Endowment fund provided by the National Museum (originally from the Heritage Lottery Fund). The additional transfer between funds reflects the split between the original Endowment from the Gosling Foundation and the Catalyst Endowment fund.

Warrior Preservation Trust Limited

A total of £652,508 was transferred from unrestricted and restricted funds to endowment funds to reflect first tranche of the Ward legacy received in previous years. The final part of the legacy was received in 2017/18 and is to be maintained as a permanent endowment fund, to be used for the furtherance of education.

A total of £4,720,866 was transferred from endowment funds to restricted funds to reflect the capital expenditure on HMS Warrior funded by a loan from the Manifold Trust which was waived in 1998.

24. Financial commitments

At 31 March 2018 the group, and company, had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Within one year	206,837	213,870	-	-
Between one and five years	505,679	637,109	-	-
In over five years	894,115	-	-	-
	<u>1,606,631</u>	<u>850,979</u>	<u>-</u>	<u>-</u>

25. Capital commitments and contingent liabilities

The company, and group, had capital commitments contracted but not provided for in the financial statements amounting to £1,668,776 (2017: £2,570,677). There were no contingent liabilities at 31 March 2018 or 31 March 2017.

26. Losses and special payments

26.1 Losses statement

There were no cases of losses occurring during the financial year (2017: one case with a value of £73,800).

26.2 Special payments

There were no cases of ex-gratia payments during the year (2017: no cases).

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27. Related party transactions

The National Museum of the Royal Navy is a Non Departmental Public Body, sponsored by the Ministry of Defence (MoD). The MoD is regarded as a related party. Grant in Aid Funding from the MoD is disclosed in the Statement of Financial Activities.

The National Museum of the Royal Navy is a related party of: NMRN Operations; NMRN Hartlepool, the HMS Victory Preservation Company; the HMS Caroline Preservation Company; the HMS Trincomalee Trust; the Warrior Preservation Trust Limited, the Royal Navy Submarine Museum Trust; the Royal Marines Museum Charitable Trust; and the Fleet Air Arm Museum by virtue of the effective control over each organisation. A number of trustees of the National Museum of the Royal Navy are also trustees of the following charities:

Mr Michael J Bedingfield	NMRN Operations, Warrior Preservation Trust Limited
Mr John R Brookes OBE (resigned 11 July 2018)	NMRN Operations (resigned 15 December 2017)
Captain Dan Conley OBE	Royal Navy Submarine Museum
Professor John Craven	NMRN Operations
Councillor Donna Jones	Warrior Preservation Trust Limited
Major General Jeff Mason	Royal Marines Museum (company)
Mr Richard Timothy Schadla-Hall	HMS Trincomalee Trust, NMRN Hartlepool, HMS Caroline Preservation Company
Dr Caroline Williams	HMS Victory Preservation Company
Mr Charles Wilson	HMS Caroline Preservation Company

In December 2016 the National Museum entered into an agreement to purchase a historically important collection from Mr Mark Caroe over three years. The collection comprises bells, tread plates, name boards, tompions and other artefacts from Royal Navy ships and submarines. The purchase price of the elements of the collection bought in the year was £44,719 (2017: £89,683), based on the original purchase prices paid by Mr Caroe for the material, and is below market value of other recent examples at auction. Mr Caroe is a trustee and director of the HMS Victory Preservation Company (company number 7935358) and, until 16 January 2018, was a director of the National Museum of the Royal Navy Trading (company number 1261270).

The HMS Victory Preservation Endowment Fund was a related party of the HMS Victory Preservation Company by virtue of one of the trustees, Mr Clive Thorne, being a Trustee of both charities (until 17 July 2017). In 2016 NMRN borrowed £650,000 from the Endowment Fund at a rate of 5% above the Bank of England base rate over a period of 5 years, from November 2015 to November 2020. The loan was used to finance the organisational restructure redundancy costs. At 31 March 2018 £570,458 was owing to the Endowment Fund from NMRN.

The related parties of the individual museums are disclosed in the accounts of those organisations.

28. Events after the Balance Sheet date

Subsequent to the year end, the following post balance sheet events have occurred:

On 1 October 2018, the business, assets and operations of Action Stations transferred from the Portsmouth Naval Base Property Trust to NMRN Operations. The business will continue to operate as Action Stations until such time as it is closed to develop the site as the new Royal Marines Museum.

These accounts have been authorised for issue by the Accounting Officer on the same date as the Comptroller and Auditor General's audit certificate.

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29. Balances transferred between group entities

As part of the continuing plan to consolidate the functions and operations of all of the museums in the NMRN group, the trustees of the Warrior Preservation Trust Limited transferred the operations of that entity to NMRN Operations at 1 July 2017. The balances transferred were as follows:

Balances transferred from Warrior Preservation Trust Limited to NMRN Operations:

	Total £
Fixed assets	
Tangible assets	51,476
	<u>51,476</u>
Current assets	
Debtors	286,695
Cash at bank and in hand	601,218
	<u>887,913</u>
Current liabilities	(886,150)
Net current assets/(liabilities)	<u>1,763</u>
Net assets	<u><u>53,239</u></u>
Funds	
Unrestricted funds	53,239
Restricted funds	-
Total funds	<u><u>53,239</u></u>

30. Analysis of cash and cash equivalents

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2018 £
Cash at bank and in hand	5,768,704	5,338,233	683,894	812,551
Cash on deposit (within investments)	-	22,440	-	-
	<u>5,768,704</u>	<u>5,360,673</u>	<u>683,894</u>	<u>812,551</u>

31. Company status

The National Museum of the Royal Navy is a company limited by guarantee registered in England and Wales. The members of the company are the Trustees named on page 1. Every member of the company undertakes to contribute such an amount as may be required not exceeding £1 to the assets of the company in the event of its being wound up while he or she is a member, or within one year after he or she ceases to be a member. The registered office address is: HM Naval Base PP66, Portsmouth, Hampshire, PO1 3NH.

32. Statement of financial activities (Company only, including the Royal Naval Museum and HMS M33 Trust as linked charities) for the year ended 31 March 2018

	Unrestricted funds	Restricted funds	Royal Naval Museum	HMS M33 Trust	2018 Total	Unrestricted funds	Restricted funds	Royal Naval Museum	HMS M33 Trust	2017 Total
	£	£	£	£	£	£	£	£	£	£
Income from:										
Donations and legacies										
Grant in Aid (revenue)	3,270,566	-	-	-	3,270,566	-	-	-	-	3,260,666
Grant in Aid (capital)	121,828	-	-	-	121,828	-	-	-	-	122,000
Donations	717	5,824,838	139,907	-	5,965,462	31,458	5,928,987	2,414,315	-	8,374,760
Legacies	-	-	-	-	-	10,357	-	-	-	10,357
Charitable activities										
Admissions	-	-	-	-	-	-	-	2,384,770	-	2,384,770
Other trading activities										
Trading subsidiary	357,570	-	-	-	357,570	-	-	2,114,065	-	2,114,065
Investments	-	-	-	-	-	353	-	3,047	-	3,400
Other	-	-	-	-	-	20	-	41,678	-	41,698
<b>Total income</b>	<b>3,750,681</b>	<b>5,824,838</b>	<b>139,907</b>	<b>-</b>	<b>9,715,426</b>	<b>3,424,854</b>	<b>5,928,987</b>	<b>6,957,875</b>	<b>-</b>	<b>16,311,716</b>
Expenditure on:										
Raising funds										
Fundraising and publicity	58	-	-	-	58	296,460	-	778,712	-	1,075,172
Trading subsidiary	-	-	-	-	-	-	-	2,119,364	-	2,119,364
Charitable activities	615,720	1,184,095	-	-	1,799,815	1,979,946	2,409	8,771,390	-	10,753,745
Grant funding	3,127,637	5,037,178	-	-	8,164,815	1,199,387	984,916	-	-	2,184,303
<b>Total expenditure</b>	<b>3,743,415</b>	<b>6,221,273</b>	<b>-</b>	<b>-</b>	<b>9,964,688</b>	<b>3,475,793</b>	<b>987,325</b>	<b>11,669,466</b>	<b>-</b>	<b>16,132,584</b>



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Statement of financial activities (Company only, including the Royal Naval Museum and HMS M33 Trust as linked charities) continued

	Unrestricted funds		Restricted funds		Royal Naval Museum		HMS M33 Trust		2018 Total		Unrestricted funds		Restricted funds		Royal Naval Museum		HMS M33 Trust		2017 Total	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Net gains/(losses) on investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income/(expenditure)	7,266	(396,435)	139,907	(249,262)	(50,939)	4,941,662	(4,711,591)	-	-	-	-	-	-	-	-	-	-	-	-	179,132
Transfer between funds	1,370	(1,370)	-	-	-	(4,900,174)	4,900,174	-	-	-	-	-	-	-	-	-	-	-	-	-
Other recognised gains/(losses):																				
Gains/(Losses) on revaluations of fixed assets	72	-	-	72	41	14	104,469	-	-	-	-	-	-	-	-	-	-	-	-	104,524
Net movement in funds	8,708	(397,805)	139,907	(249,190)	(50,898)	41,502	293,052	-	-	-	-	-	-	-	-	-	-	-	-	283,656
Reconciliation of funds:																				
Total funds brought forward	(250,145)	2,051,292	1,273,385	4,849,592	(199,247)	2,009,790	8,945,681	1,775,060	-	-	-	-	-	-	-	-	-	-	-	12,531,284
Funds transferred to successor charity	-	-	-	-	-	-	(7,965,348)	-	-	-	-	-	-	-	-	-	-	-	-	(7,965,348)
Total funds carried forward	(241,437)	1,653,487	1,413,292	4,600,402	(250,145)	2,051,292	1,273,385	1,775,060	-	-	-	-	-	-	-	-	-	-	-	4,849,592





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